THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

May 25, 1940

Question of U.S. Entry into War

An Editorial

Japan Tightens Her Belt

BY CHESTER S. HOLCOMBE

Allies Face Grave Ordeal

The Outlook for Silk

BY JOHN AHLERS

China, Japan Currencies Linked in Fall

By Kurt Bloch

VOLUME 92 PRICE 50 CENTS (in China) NUMBER 13

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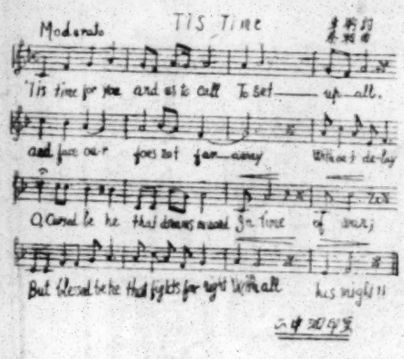
What People Are Saying

Comments from readers on current topics are cordially invited; their opinions, however, do not necessarily represent the views of *The China Weekly Review*.

"ALL HIS MIGHT!"

To the Editor:

I beg to take the liberty of soliciting your consideration and the opinion of the readers of **The China Weekly Review** regarding the enclosed song which would add a musical note to your


Moderato
TIS Time
'Tis time for you and me to call To set up all.
And for our foes not far away Without delay
O Could he be that drives away In time of war,
But We'd be the that fight for right With all his might!!

paper. The words were written by me and the music by our musical instructor, Mr. Tsia. More than 800 of my fellows have sung it and favor it, so it has become most popular in our school. I shall be obliged if you will be good enough to suggest corrections or improvements and let me know.

ANSON C. CHA

Government Second Middle School,
Yusin, Kiangsi,
May 1, 1940.

HANKOW GAMBLING

To the Editor:

In view of efforts here to clean up the gambling dens in Shanghai's "badlands," it is interesting to know that the police authorities in Hankow have already taken the lead in the suppression of various types of gambling such as "Hua Wei," or Flowery Lottery, and "Rotary Jewellery," within the city. Since last summer various "Clubs," which are aliases for gambling dens, as well as numerous "Factories," for the operation of "Hua Wei" grew up like mushrooms sprouting after dark. All Hankow became a "badlands," with these illegal establishments functioning actively and openly.

Although Hankow had sufficient policemen, besides the Imperial Japanese Military Police, there was no interference from either. It was obvious that this gambling business was receiving certain protection; actually it was under the control of an office called the "Department for Amusements Union Suppression for Hankow." The situation grew from bad to worse. I estimate that there were more than 10 so-called Clubs and numerous "Hua Wei" factories in Hankow at one time. They even operated a game called "Hong Shan" or Native Boat and you saw many poor people like ricksha pullers, amahs and coolies standing around a small table every morning and evening, usually at the entrances to "Hua Wei" places. The "Hua Wei" places conducted two drawings daily permitting bets as low as five cents. The bait of the chief prize (1 to 27) caused many poor people to fall victims.

Aside from the gambling, Hankow toughs did not miss the chance of catching the rich in their Clubs. They advertised widely in the newspapers and put up big signboards and posters in public places. Customers were provided with free taxi rides and refreshments on the premises. One could observe the table with vast heaps of Fapi (national currency) stakes on the tables. One could notice that most of those who arrived with their pockets full of money had to take advantage of the free taxi ride to get home. Many had to withdraw their "membership fees" in order to get home. The takings were enormous, but the proprietors had to pay heavy rents and other expenses such as refreshments, taxis and of course the "tax" to the Bureau. But most expensive of all are the toughs who must be paid. There are more than 3,000 of them engaged in protecting the "Hua Wei" places and Clubs, the head gangster being a certain "Mr. X" who watches over the various tables. It is said that 99% of these gangsters are "down the river people," which is a local expressive name for a certain type of rowdie who comes from Kiangsu and Chekiang and also the incomparable Ningponese who come from far-away Shanghai. Many are old "guns," or opium-smokers, but they are clever and cunning professional gamblers.

But to get on with the story, the long-awaited prohibition order was issued and a "fixed dead day," was announced for these "invisible murderers." A tour of the city indicated that all had disappeared, almost overnight, from Japanese-controlled Hankow. But the question yet awaiting solution is the disposition of the 3,000 toughs who have lost their fat jobs and still are here doing their evil deeds.

K. S. DUNGONNAR

Hankow, Hupeh,
April 8, 1940.

THE CHINA WEEKLY REVIEW

Cable Address "REVIEWING SHANGHAI"

J. B. POWELL, *Editor and Publisher*

C. FRANK GLASS and HOH CHIH-HSIANG, *Assistant Editors*

F. K. CHAO, *Business Manager* TRYPHON V. KU, *Advertising Manager*

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PRO-JAPANESE

To the Editor:

The list of pro-Japanese papers which you published on Page 412 of the May 18th **China Weekly Review** was illuminating. But why did you omit Carrol Lunt's **China Digest?** Very few Shanghailanders ever see the **China Digest** although published here, but thousands of copies are mailed to addresses in the United States and paid for by the Japanese. Lunt's paper pretends to be a summary of Far Eastern newspapers and magazines, but only pro-Japanese articles or articles discrediting the Chinese are "digested."

Lunt is now lecturing for the Japanese in the United States; recently when he delivered one of his nauseating pro-Japanese lectures before a group of newspapermen in New York, a half-dozen members of the audience got up and demanded that Lunt be compelled to register with the State Department at Washington as a Japanese propagandist. One wonders why this has not been done.

N. W.

Shanghai, May 18, 1940

Editor's Note:—Mr. Lunt's "China Digest" was overlooked. Sorry!

APPRECIATED

To the Editor:

We have appreciated so much having the visit of **The China Weekly Review** while here on furlough. As we are returning shortly, please hold the copies as we desire to have the complete record.

D. A.

Los Angeles,
April 19, 1940.

NATIONAL CITY BANK OF NEW YORK

Rates of Exchange, Shanghai, May 22, 1940

Demand selling rate on New York:
U.S.$1.00—Sh.$18.39

Demand buying rate on New York:
U.S.$1.00—Sh.$17.77

Demand selling rate on London:
£1.0.0—Sh.$58.18

Demand buying rate on London:
£1.0.0—Sh.$56.05

AMERICAN STOCK AND COMMODITY QUOTATIONS

May 22, 1940

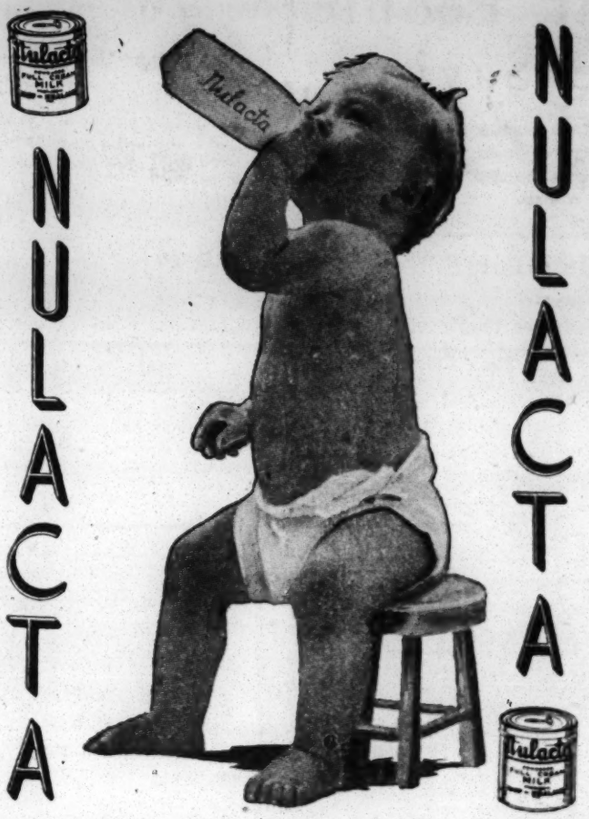
STOCKS

Amer. Locomotive	10⅝
Amer. Waterworks	6⅛
Anaconda Copper	19⅛
Bethlehem Steel	67½
Chrysler	58
Elec. Bond & Sh.	3⅞
Gen. Motors	39½
Goodyear T. & R.	12⅞
Gt. Nthrn. Rly., pfd.	17⅝
Lockheed Aircraft	30¼
Mont. Ward	34¾
N. Y. Central	9⅞
Texas Corp	34½
U. S. Steel	43⅞

COMMODITIES

New York Cotton, July	9.16/18
New York Rubber, July	19.04/08
New York Hides, June	9.75/75
Chicago Wheat, July	84¼/83
Chicago Corn, July	62⅝/62½
New York Sugar, No. 4, Sept.	1.04B/04½A

B—Bid. A—Asked.



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U. S. ENTRY INTO WAR AND THE THIRD TERM ISSUE

SEVERAL weeks ago President Franklin D. Roosevelt, in the course of a political talk broadcast from Warm Springs, Georgia, urged the Democratic Party to choose a "liberal pair of candidates." He accused the Republican Party leaders of "seeking to frighten the country by declaring the present Administration is deliberately trying to put this nation into war." The President made no mention of names, but said:

"It seems to me very obvious that if the Democratic Party is to defeat the Republican Party next November, we must nominate a liberal pair of candidates, running on a liberal and forward - looking platform . . . I am not speaking tonight of world affairs. Your Government is keeping a cool head and a steady hand . . . We are keeping out of the wars that are going on in Europe and in Asia, but I do not subscribe to the preachments of a Republican aspirant for the Presidency who tells you, in effect, that the United States and the people of the United States should do nothing to try to bring about a better order, a more secure order, of world peace when the time comes."

"F. D. R."

Current History

One is reminded of the parallel situation in the World War when President Woodrow Wilson was re-elected in a stirring campaign in which the chief slogan was, "He kept us out of war." But President Wilson was running for a second term—not a third—as is the case with President Roosevelt. That is, if President Roosevelt actually is seeking a third term, a subject upon which he has not yet committed himself, although he has permitted his name to appear on numerous state primary ballots.

That the issue of a third term is inextricably involved in the question of American participation in the war on the side of the Allies is obvious. For months it has been a subject of general conversation that "if the European War grew more critical, it would make Roosevelt's election for a third term a certainty." That the war has grown more serious and that the situation of the Allies is most critical requires no elaboration on our part. Likewise it requires no elaboration that as the war has grown more critical for the Allied cause, the sentiment in favor of participation on the part of the United States has grown more pronounced.

It is obvious that no accurate appraisal of either question—Roosevelt's candidacy for a third term or America's possible participation in the war—can be made from the facts available at this distance. The Institute of Public Opinion, which conducts test votes, reported on May 19 that the latest poll on the subject indicated that 51 per cent of the voters believe that the United States will enter the war on the Allied side. A similar poll taken last October showed that 46 per cent believed the United States would soon become a belligerant nation. A poll conducted last February showed that sentiment favoring participation had dropped to 32 per cent. A *Reuter* dispatch from New York on May 19, stated that while some prominent Americans still express strong isolationist views, there were indications of a "big swing-over" in favor of participation. The *New York Times* reported that 50 Republican leaders in middle western states had told Robert Taft, one of the leading Republican candidates, "that if he submitted to popular vote, in their regions, a proposal for direct aid to the Allies short of entry into the war, it would be passed by a decided majority." On the same day *Havas* reported from Washington that American sales of munitions and war planes continued to mount, the chief purchasers being France and Great Britain. (China also bought U.S.$375,385 worth of machine-guns and planes). Export licenses issued in April for future delivery totalled U.S.$40,160,290, with France and Britain again the leading customers and China in third position with further orders for U.S.$437,415 worth of airplanes and parts.

It also was stated in the news reports that the Government was no longer making any restrictions on types of planes and equipment which could be sold overseas. Previously, the latest type planes had been reserved for the exclusive use of the American military services. There was a report this week that the Government might even permit sales of planes which already were in service in the army.

The press reports have carried the more sensational utterances on the question of participation or

"Solomon's" Problem

The Chicago Tribune

non-participation, but it is considered significant that while most Americans formerly answered, when questioned about American participation, "I hope not," they now reply with statements such as, "We are already in."

Senator Warren Austin, Republican of Vermont, urged Congress (May 14) to lift the prohibition on loans to defaulting nations, so that direct financial aid could be extended to the Allies. He said that the United States should aid the Allies to a limit "short of becoming a belligerent in this inhuman conflict . . . A great crisis has come upon us. All the things we fought for in the World War are in the balance." Senator Austin's statement, being the first outspoken declaration on the subject of more direct aid to the Allies, aroused considerable opposition on the part of isolationists. Senator Bennett Champ Clark of Missouri, in whose territory reside large numbers of German-Americans, said that the Austin resolution was "a step toward war." Senator Clark is also one of the strongest opponents of President Roosevelt's nomination for a third term.

Governor Herbert Lehman of New York, in a speech at the dedication of the Belgian pavilion at the World's Fair, declared, "We are faced with international lawlessness unparalleled in history. Because of the ambition and greed of a power-crazed tyrant the very existence of civilization is threatened. The safety of every nation and individual is in jeopardy."

A further element having an important bearing on public opinion in the United States is the attitude of Central and South American countries. On May 19, twenty-one American nations protested Germany's invasion of the Low Countries, the declaration saying:

"In accordance with the principles of international law, American states consider unjustifiable and cruel the violation by Germany of the neutrality and sovereignty of Belgium, Holland and Luxembourg, and appeal for the re-establishment of right and justice among peoples." The proposal for a protest was made first by Argentina and readily accepted by the American republics.

The *Washington Post*, referring to President Roosevelt's speech at the Pan-American Scientific Congress, said that the President undoubtedly spoke for the American people. Commenting on the address the *Post* said:

"Neutrality has no meaning when such a merciless military machine as Germany's is in full operation, and no country can possibly be indifferent to war of this kind, for it is a challenge to the civilization to which we have become accustomed.

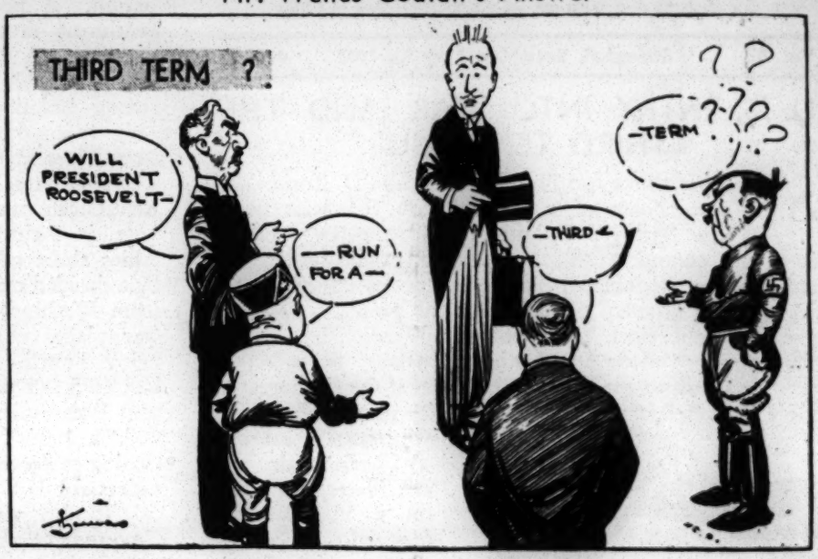
"The nations of Europe are no longer divided into belligerents and neutrals, for virtually all those not actually at war, or poised to strike at a strategic moment, are preparing to fight for their independence.

"Nor can it be realistically said that the United States is any longer neutral—the United States does not, and cannot, condone the subjugation of independent countries, and the slaughter of people to gain a military objective. That inexcusable practice is a crime against free nations in general."

Henry Luce, editor of *Time Magazine*, in an interview with *United Press* at Paris following an extensive tour of European capitals, declared that if America is to escape the tragic fate facing hundreds of thousands of Europeans today, "it must be united and more strongly armed than ever before." He said that Americans could not realize that the horrible, ghastly battle now being fought is far more hideous than the most hideous days of the last war . . . . "There are millions of Americans who would give up their lives in battle for America. I hope they will never be put to the awful test of ultimate devotion, but we Americans in Europe know and we can see quite clearly that America is facing a frightful threat to her very existence as a nation—by far the greatest threat in 80 years."

Mrs. Eleanor Roosevelt, First Lady of the nation, in a speech before a church gathering in Washington (May 18) said that any sign given Germany which might indicate that the United States was not united would mean America was "nailing one more nail in our coffin. . . . We are facing a sinister power with no scruples . . one that is not held back by any ethical standards. I do not mean that we face invasion tomorrow . . . But every time the word goes back to Germany that we are not united, that we do not mean what we say . . . it means we are driving one more nail in our coffin . . . Germany has contempt for those who can't meet her on her own ground. I don't like to have to spend money for armaments, but I would rather spend whatever we must to keep our machine in order . . . to be able to meet whatever is shaping."

Mr. Welles Couldn't Answer



Thomas in the Detroit News

While Mr. Welles was sent to Europe to find out about the prospects for peace, European statesmen were equally curious about President Roosevelt's intentions with regard to a third term.

Col. Charles Lindbergh, while urging the development of a united defense plan "which would be able successfully to repulse a *blitzkrieg* by air or sea," nevertheless opposed mixing in European affairs. The *New York Herald Tribune*, in commenting on Lindbergh's speech painted the following picture of the upheaval that would follow a Hitler victory:

"First of all, the British monarchy would be established most probably in Canada. Would we then defend it or not? If Hitler should fail at first to benefit from his 'dynamism' to exploit Latin America and the United States, he would certainly start by establishing bases which he could use later on. What would we do if he claimed the Bermudas, the Bahamas, and British, French and Dutch possessions as his legitimate war booty?"

Lewis W. Douglas, President Roosevelt's first budget director, in an address before the annual meeting of the U. S. Chamber of Commerce at Washington on May 4 declared that American businessmen "should be warned that the continuance of democracy as it is known

in the United States depends upon an Allied victory in Europe."

Thirty-three Protestant clergymen and laymen participating in a conference in New York declared that Christians could not remain neutral in the present international conflicts. Among those signing the statement were the Rt. Rev. Henry St. George Tucker, presiding Bishop of the Protestant Episcopal Church; Dr. Robert E. Speer, former president of the Council of Churches of Christ in America; Dr. William Allen Neilson, president emeritus of Smith College; Dr. Charles Seymour, president of Yale University and Dr. Henry M. Writson, president of Brown University. The signed statement was as follows:

"To suggest that nothing of consequence is at stake in the success of Japanese, German and Russian designs on China, Czechoslovakia, Poland and the Baltic states, or in the successful resistance of these latter nations, is to be guilty of moral irresponsibility. A victory for the Allied powers or for China would not of itself assure the establishment of justice and peace, but the victory of Germany, Russia or Japan inevitably would preclude the justice, freedom of thought and worship, and international cooperation which are fundamental to a Christian world order. Therefore, Christians in neutral countries cannot evade the ethical issues involved and the consequent claim upon their sympathy and support."

That the manufacture of airplanes and arms, whether for Allied orders or for domestic armament, is certain to have a significant bearing on America's participation or non-participation in the war is obvious. The Anglo-French Purchasing Commission in Washington stated last week that Allied orders already placed for some 4,000 planes would involve an expenditure of U.S.$650,000,000 and that further orders to be placed shortly would involve a further expenditure of U.S.$ 600,000,000. Sums expended on non-aviation supplies such as machine tools, munitions, electrical equipment, clothing, horses, mules, etc., amounted to approximately U.S.$350,000,000, the grand total being considerably in excess of a billion dollars.

If the vast expenditures for America's armament program, involving total appropriations of U.S.$3,131,-472,651, is added to present and future Allied expenditures in the United States, the weight of finance and materials becomes almost overwhelming and in all probability will ultimately tip the balance in favor of American participation as was the case in the first World War. But it is incorrect to say that weight of money and armament will be the deciding factor. The deciding factor will be public sentiment aroused by the universally-held belief that the forces of law and order, of morality and democracy, must rally for the defense of civilization if the world is not to be thrown back into a condition resembling that of the Dark Ages.

President Roosevelt's address before a joint session of the Senate and House of Representatives on the subject of armament appears in full herewith, but the *New York Times*, in an appraisal of the situation, stated that the President's immediate proposal is for additional armament credits amounting to U.S.$982,000,000, which would cover expenditures for the Army amounting to U.S.$732,000,000, including the air force, and U.S.$ 250,000,000 for the Navy. The large expenditure for the Army would make it possible to rapidly equip an army of 750,000 men and also would result in much speedier naval construction than was the case previously. Gen. Hugh A Drum, commander of the Second Army District, in an address at New York on May 16, urged the rapid recruiting and training of an army of a million men divided into a standing army of 150,000 men, a national guard of 500,000 and full equipment for 250,000 reserves. Senator Barbour proposed a 50 per cent increase in the Navy, the doubling of the Army and the construction of the largest airfleet in the world. America's present airfleet has about 4,000 planes, which some would increase to 15,000 planes immediately while speeding up airplane production to an annual output ranging from 50,000 to 100,000 planes.

Discussions concerning increase in naval armament naturally reverted to the situation in the Pacific and

Getting Ready

Hutton in Philadelphia Inquirer

Uncle Sam strengthens the defenses of the "Big Ditch."

queries that if the United States joined in the war, the start probably would be made in the Pacific where the United States has been facing the Japanese menace for the past three years. Senator David I. Walsh, chairman of the House Naval Affairs Committee, in a formal report favoring the Vinson Naval Bill, reversed the Committee's previous stand and urged the conversion of Guam into an aviation and submarine "listening post." He urged, however, that every effort be made to preserve peace in the Far East. He said, "In the Pacific we should maintain an impregnable fleet and an air base at Hawaii and complete the construction of air and submarine bases at Unalaska, Sitka and Kodiak and submarine bases at Midway, Wake, Johnson, Palmyra and Canton Islands in the mid-Pacific. Guam should be made a link in our national defense scheme by developing its harbors and facilities and maintaining there an operating force of submarines and long range patrol planes."

Rear Admiral Harry E. Yarnell in an address before the graduating class of the Naval War College, uttered a warning to the defense forces against being "caught short in new methods and equipment. Admiral Yarnell said that it was sea-power which defeated Napoleon and it would be sea power today and tomorrow which would prevent another dictator who lacks sea power, from acquiring domination.

William R. Hearst, famous newspaper magnate, and a bitter opponent of President Roosevelt, predicted that Roosevelt will be nominated with acclamation for a third term as President and "very possibly will be elected." Mr. Hearst said that the President's popular personality and political sagacity, and the course of events throughout the world, would lead to this. Hearst alleged, however, that Roosevelt's re-election "would mean an autocracy in place of democracy in the United States."

Thomas Dewey, a most promising Republican candidate for President, issued a statement in New York on May 18, supporting President Roosevelt's armament program.

A dispatch from Washington on May 16 stated that of the 600 delegates already selected for the Democratic National Convention in June, 447 had been directly or indirectly pledged to vote for President Roosevelt for a third term.

The President, on Wednesday of this week, referred again to Nazi atrocities in Belgium and France, said the United States "will understand the significance of this method of warfare.

The Outlook for Silk

BY JOHN AHLERS

THE new silk year will start on June 1. The gathering of spring cocoons from the pea-santry began in Central China and Japan about the middle of this month. The coming week will see the first fresh cocoons on the Shanghai and Kobe markets, and the first raw silk reeled from the new cocoon crop will be offered for export within a fortnight. The Far Eastern silk trade, however, this year faces a world full of anxiety and uncertainty, in striking contrast with the boom outlook which twelve months ago characterized the opening of the 1939-40 silk year.

The times are gone when silk, along with tea, was the dominating export commodity of China, and when silk was far ahead of any other commodity in the foreign trade of Japan. Yet silk retains an important position in both countries' exports. In Japan, the export value of raw silk even in the recent months of slump was surpassed only by that of cotton textiles. In China, raw silk for several months of the terminating silk year was the leading producer of foreign exchange. Favorable or unfavorable conditions for raw silk continue to influence the general trend of Japanese and Chinese foreign trade, and to determine both countries' buying capacity for foreign goods.

Export conditions for silk today are unfavorable. Certain grades of raw silk are important as war materials, especially in the manufacture of parachutes and observation balloons, and the prominence of air forces in the current European war results in increased demand for raw silk by the belligerents. The volume of this military demand, however, is far too small to offset substantial declines in the consumption of silk in the United States, which is the most important market for Far Eastern silk. American emphasis on the female leg, preference of American women and girls for real silk stockings, and the high U. S. living standard combine to make the American hosiery industry the all-important customer for the raw silk of Japan and China. American silk consumption in recent months fell to a record low since 1910, but still the United States continues to purchase more than half the Chinese and Japanese silk exports. In boom times, U.S.A. has been a buyer for as much as 80 per cent of Far Eastern silk shipments.

Silk prices in Yokohama and Kobe last year about this time were most Yen 1,300 per bale for the leading White D grade 14s. export quality, and in the subsequent eight months experienced one of the biggest booms in history. Early in January this year, New York quotations for this silk surpassed US$4,60 per lb. while Yokohama sold at Yen 2,400 per bale, with Japanese speculators expecting a further price increase to Yen 3,000 for the then near future. The middle of January, however, brought an unexpected silk price crash, and New York quotations for the above silk quality dropped below U.S.$3. Yokohama and Kobe had to reduce silk quotations by some Yen 900 per bale. Recent slight improvements in American mill-takings made Yokohama and Kobe prices firm up to about Yen 1,600 which, taking into consideration the Japanese yen's partial depreciation in the wake of the British pound, is actually less than the price of Yen 1,300 quoted a year ago. Shanghai silk prices experienced the same fate, though in depreciated Chinese dollars they may seem incomparably higher than twelve months ago.

Now, What to Do With It?

Marianne, Paris

Uncle Sam: "Now that I have bought all their gold and silver, what will I do with it?"

Current silk market conditions are reversed as compared with boom period, especially in Japan. A decrease in the 1939 spring crop, very low silk stocks, record demand on behalf of both the American and Japanese silk industry, coal and power shortages delaying the work of Nipponese filatures, and wild bullish speculation had been the chief factors promoting the boom. Present silk stocks at Yokohama and Kobe, however, reach 24,000 bales and surpass those of a year ago by no less than 14,000 bales. April arrivals of raw silk in both ports this year were 22 per cent above those of April, 1939, while export shipments remained 44 per cent behind the corresponding month of the past year. Chinese silk competes more seriously than ever with Japan silk: Shanghai last month shipped abroad 4,000 bales of silk, against Yokohama and Kobe shipments of 8,310 bales. American demand is very moderate and gives no sigh of an early restoration of its pre-year extent.

Japanese silk speculators are up again to their ancient tricks, launching press reports to the effect that last summer's drought resulted in a minor quality of

mulberry leaves, that spring frosts negatively affected the cocoon crop, that the spring cocoon supply consequently will be below normal, and that the European war's further extension may be interpreted as bullish for silk. All these rumors are circulated in an effort to forestall a further decline of silk prices. It is for this reason that big Nipponese silk interests urge the Tokyo Government to increase its theoretical maximum silk price from Yen 1,300 to Yen 1,650 per bale. Such official price fixation would compel the Government, under Japanese silk legislation, to resume intervention purchases whenever silk prices should drop to Yen. 1320. Obviously, Japanese silk trade believes such a drop within the realm of possibility.

The Tokyo Government, in the recent past, has been reluctant to listen to the silk trade's suggestions, and seemed to prefer too cheap ralher than too expensive silk. Tokyo is afraid that however much Japan may be in need of more foreign exchange, too high silk prices may result in a permanent loss of much of the American silk market. The Japanese Government, therefore,

War Profiteers Want War

Radical paper at Chungking depicts war profiteers of the world calling for more wars.

last winter repeatedly attempted to halt the silk price boom and to force silk prices down to a more reasonable level. The present Yonai Cabinet took measures to earmark the major part of Japanese silk production for export only. The average annual volume of this production is estimated officially at between 750,000 and 800,000 bales, whereof from 400,000 to 450,000 bales in the future are to be reserved for exportation.

The new synthetic Nylon yarn, manufactured by the Dupont de Nemours interests and marketed in U. S.A. on a large scale since May 15, 1940, is a great potential danger for Far Eastern real silk in American hosiery manufacture. Nylon is reliably reported to show the major qualities of genuine silk and yet another quality which silk real lacks when manufactured into hosiery, viz., durability. Director Kobayashi of the Yokohama Raw Silk Exchange, now in New York, wired his headquarters that he expects Nylon to seize immediately five per cent of the American real silk market, and that next year this percentage is likely to increase to ten per cent. Nylon threatens real silk with the same fate which was dealt to cotton by rayon.

The Central China silk market, at the moment, seems better off than Yokohama and Kobe, because Shanghai stocks of raw silk are running very low. There is no substantial carry-over of cocoons here either. As a result, Shanghai silk prices during the past two months were well maintained, and this month appreciated in terms of Chinese currency to the full extent of the latter's further devaluation. However, the outlook fort the future is not so good. Shanghai silk traders generally expect a considerable increase over the past year in the production of cocoons, and consequently in that of silk, too. The Japanese Central China Silk Corporation recently reported the distribution in Nippon-occupied districts of 30 per cent more sheets of silk-worm eggs than last spring. In the Chinese-controlled districts of Chekiang and Kiangsu provinces, efforts to increase cocoon and silk production have also been made, and at various undisclosed places in these areas new filatures were established a short time ago.

Shanghai continues to be the center of Central China silk exports, but Shanghai business no longer enjoys a dominating position in this field. Silk production in the Japanese-occupied hinterland is in the hands of the Central China Silk Corporation, supposedly a Sino-Japanese but actually a Japanese company. This corporation runs 19 filatures at Wusih, Hangchow, Soochow and Shanghai, operating more than 6,000 reeling machines. It manufactured last year 19,718 bales of raw silk, most of which was exported. The company's export business is transacted through the Mitsui interests exclusively. In the past, the monopoly enjoyed by the Central China Silk Corporation was not complete, but recently the new Wang Ching-wei regime promulgated strict regulations prohibiting all cocoon sales to, and all reeling of silk by, outsiders.

The 44 independent silk filatures of Shanghai this year will find it more difficult than ever to secure cocoons from Japanese-occupied areas. Cocoons from Chinese-controlled districts have been priomised once more, but on the express condition that foreign exchange secured from exports of these cocoons, or of silk manufactured from such cocoons, must be forwarded to the Chinese National Government's banks. Silk exports from these districts as well as from other parts of Free China all have been placed under exclusive control by Chungking Foreign Trade Commission which will closely supervise all shipments of cocoons and raw silk to Shanghai. Local filatures either will have to comply with the Commission's regulations, or will find themselves cut off from all supply of raw material.

Boxer Fund Administrators Plan Chinese Border Middle School

The *Ta Kung Pao* at Chungking reported on May 10 that the administrators of the Sino-British Boxer Indemnity Fund were planning to establish a middle school near the Yunnan-Burma border. The school probably will be located at Fuhai in southern Yunnan near the northeastern Burma border. The chief object of the school will be to promote friendly relations between China and Burma and it also will provide opportunity for Chinese in Burma to send their children to school in China.

Rich Gold Vein Said Discovered On Nanking's Purple Mountain

The Shanghai *Mainichi* published a report on May 13 that a rich gold vein had been discovered on Purple Mountain, just outside the great wall which surrounds Nanking. The discoverer allegedly was one Sakae Sonobe, a Japanese employee of the Wang Ching-wei administration. The gold deposit has been turned over to the newly-established Central China Mining Company, a Japanese enterprise, for investigation. The report stated that tests were being made to determine the purity of the gold.

With Propaganda and Gestapo the Nazis Work Among Us

BY JULIUS R. KAIM

After the Third Reich's undeniable political successes in Europe during the years 1938 and 1939 the Nazis gave ample proof that their organization in America and in the Pacific countries was not inferior to their organization at home. However, in spite of the discovery of Nazi cells carrying on underground work in the United States, in the Dutch East Indies, and even in Hongkong, the consequences of their subversive activities were much underestimated even after the outbreak of the European war. Amazing though this may seem the powerful influence of the Nazi work has been ignored by the majority of leading personalities the world over.

That the Third Reich was, by no means, a power to be taken lightly, was not even understood after the outbreak of the war. When Allied representatives in America were informed in October, 1939, that the Nazis were building up a new propaganda machinery in the United States, they considered the news exaggerated. When the same quarters learned that the Third Reich's official and unofficial representatives were organizing a relay-service between the United States and Berlin via Shanghai, this news, too, seemed incredible. When the attention of the authorities in London was directed to the opportunity for the Germans of importing and exporting goods and financing much business via Vladivostok, Dairen, and Shanghai, they were not at all convinced that this kind of business would ever assume any importance.

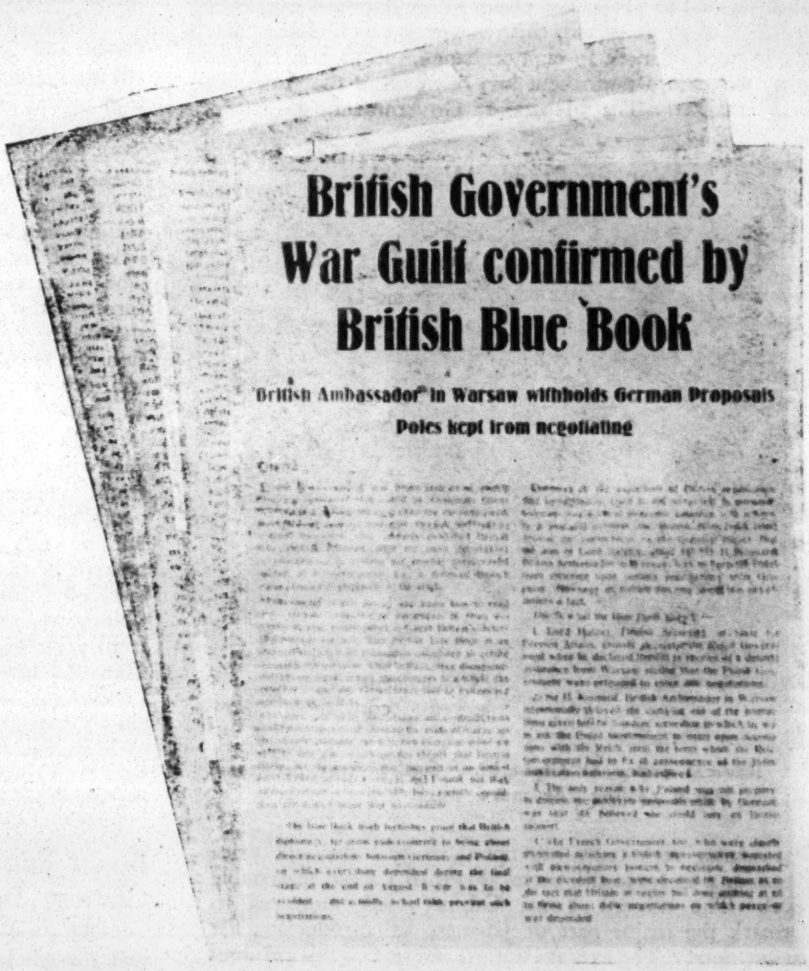
When finally the political, strategical, and economic value of all these activities was acknowledged, the Allied authorities wished to hinder a further development. This goal, however, had become much more difficult of attainment than it had been in the beginning.

In crushing the octopus the experiences of one country were not always taken to heart by other states. Thus, for instance, it was not until the beginning of May 1940 that the Dutch police arrested 21 "extremists", in Holland. Even then the Dutch Government considered the number of "extremists", i.e. Nazis, a dwindling one. Nevertheless, the Fuehrer of that dwindling number of Nazis broadcast to America on the day of his followers' arrest, that he would remain with crossed arms if the Germans invaded Holland. Thus while the local Fuehrer was entering the news spotlight, the Dutch Socialists were pointing out that "the dissolution of the Nazi Party would give the movement an importance which it does not possess in Holland."

At the same time the Rumanian Government, too, discovered that perhaps a certain danger could result from the activity of many thousand Nazi agents in Rumania, and ordered the arrest of several hundred "Saxons", inhabitants of the Transylvanian areas. That happened in the ninth month of the war and in the eighth year of Nazi activity in Rumania.

With the Nazi goals, means, and methods underestimated by millions of people in the belligerent countries as well as in the neutral countries, the position of the Third Reich has become much stronger during recent months than could have been foreseen at the beginning of the war.

In China, too, it was evident that many foreigners, both neutrals and Allied citizens, did not yet realize what would result here from a German victory. They, too, underestimated the consequences, just as they had underestimated the means, the organization, and the energy of the Nazis at the beginning of the war.


British Government's War Guilt confirmed by British Blue Book

British Ambassador in Warsaw withholds German Proposals

Poles kept from negotiating

Sample of Nazi propaganda being distributed in Shanghai.

At the outbreak of war most businessmen in China were convinced that after a few weeks all German commodities would become scarce here. They purchased whatever they could find. They were willing to pay excessive prices, in order to hoard German specialities such as chemicals, colors, dyestuffs, medicines, etc. Today, however, in the ninth month those valuable articles continue to arrive in spite of all difficulties. Some of this merchandise has arrived camouflaged as neutral products. Much too has come via Siberia. It is sold at normal prices. The quality was not changed, and no "ersatz" has up to now been exported to China.

The merchants had, no doubt, underestimated the Third Reich, but this lack of foresight was by no means their own fault. The value lay with that anti-

Nazi propaganda which contented itself with the statement that a country which could not obtain ores, oil, cotton and foodstuffs manufacture, could not resist the force of wealthy and well-equipped nations.

On the other hand, the Nazis developed their propaganda in the Far East according to the methods approved in so many other countries. Just as they had declared the rape of Austria "a family affair" and the seizure of Czechoslovakia "a matter between the two countries involved in that affair," they were now explaining that the war was but a conflict between the Third Reich and Great Britain. The readers of the Nazi periodicals published in or sent to the Far East were molded to the view that, really, there did not exist any conflict between the Nazis and France, and much less any difference between the Third Reich and any other country in the world. No single word could be found with reference to the real war aims of the Nazis, thus provoking the impression that regarding the Far East the German victory would only result in British influence diminishing in China. Underestimating the dynamic force of the Nazi ideology and not less underestimating the power of volition having its root in it, many people did not yet quite foresee the consequences to the Far East of a Nazi victory.

The consequences, however, have been forecast in many German books, pamphlets, and essays published during the last two decades. That most of these works were not sufficiently known in countries other than Germany is not amazing for even Hitler's "Mein Kampf", which, naturally, had always been the cornerstone of the Nazi ideology, was not well known before the outbreak of the war. On the other hand, many among the readers of the Nazi books about the Far East and the Pacific considered their contents exaggerated and the authors megalomaniacs.

That the Nazis developed their own propaganda in the Far East was not amazing. Besides the German language journals, they are now publishing one newspaper in English and an illustrated review in Chinese. They are broadcasting from the International Settlement of Shanghai. They distribute pictures of the war in Poland, the West Wall, and other items.

This propaganda cannot be considered underground work. It is more or less identical with the propaganda activity of the Allies. On the other hand, however, they are, no doubt, developing another kind of propaganda, too. British soldiers are reported to have received handbills, mailed in Shanghai, in which it is stated that the war is made by Jews and Freemasons, and that while British soldiers will be killed, the warmongers will make their profits.

Some agents have been equipped with "Jewish" legitimations in order to act as political refugees worthy of confidence. French citizens here have received a journal in the form of a well known Paris paper, full of propaganda against their political leaders, explaining that the war between France and Germany must be considered a crime. The newspaper was a good imitation, printed in Germany and forwarded from Shanghai.

Agents of the Gestapo are even now acting in Shanghai, controlling their people and influencing neutral persons. Thus there is Nazi activity here similar to that known in the United States.

In a report which a neutral diplomat sent to his Ministry in the beginning of May, he pointed out that since the outbreak of the war the Nazis had been able to build up a strong organization in the Far East. They organized the overland traffic via Siberia, he stated; they disposed of propaganda journals in German, English, and Chinese; they influenced the newspapers published in the areas under Japanese control; they sold their famous chemical compounds and a lot of other articles; they organized a special service for their secret mail from America; they installed agents of the Gestapo; they augmented their diplomatic and political staffs by more than fifty per cent.

In the same report the official pointed out that the Nazis had not carried on all this organization merely to find positions for their adherents and officials who had lost their jobs in Hongkong, India and French Indo-China. "All this" he stated, "has been done not only to facilitate German warfare but at the same time to prepare the "new construction" of the German interests in the Pacific.

It may be that the report was exaggerated. Probably its author feared that the Nazi methods would jeopardize his own country, for he mentioned the fact that more than one nation had already been conquered by the Nazis by the use of the Trojan horse and by decomposition with the help of "Nazi infiltrations." However, even if the report was exaggerated it is a fact that the underestimation of the power of influence is not less dangerous than the underestimation of the military force. Sometimes it seems, indeed, that reading the news published by British and French offices and by the anti-Nazi organizations many people in the Pacific countries are under the impression that they are wide of the mark and have nothing to fear from the methods applied by the Nazis. They too, are underestimating the real force and the strong will of the Nazis and are probably not well informed about the works published by leading Nazi personalities.

American Insurance Company Given Verdict in Trade Act Case

The American Asiatic Underwriters was awarded the verdict in a case brought in the U.S. Court on May 14 to determine whether it could legally serve as holding company for stock of insurance companies. Miss A. Viola Smith, U. S. China Trade Act Registrar, a branch of the U. S. Department of Commerce, had sought a declaratory judgment on certain clauses in the Trade Act which, in her opinion, prohibited the holding of such stock. The provision in the Act, known as Section 4 (c) said that China Trade Act corporations "could not engage in the business of discounting bills, notes, or other evidences of debt, or any form of the banking or insurance business. The action was brought to determine whether the American Asiatic Underwriters, a Federal Trade Act Corporation, was acting in accordance with law when it served as holding company for stock of other insurance companies. The Company was organized in 1925 and had been approved for registration by Herbert Hoover, then Secretary of Commerce and the Assistant Solicitor of the Department. The Company had later acquired the shares of Asia Life Insurance Company, Compagnie Franco-Americaine D'Assurances, a French concern, and International Assurance Company, Ltd. a British company. Judge Milton J. Helmick of the U. S. Court, in announcing his decision said:

"The China Trade Act is not a general corporation code for China and is not the exclusive law for American companies doing business in China. It is concerned only with the special class of corporations which choose to become incorporated under it and receive the benefits it extends. There is no law of United States forbidding American companies to engage in the insurance business in China and obviously that business is not wrongful *per se*.

"We can speculate reasonably that Congress, in passing the China Trade Act, did not wish to give Federal charters to insurance companies or to be responsible for the supervision of them. It is hard to see in what manner petitioner is thwarting Congressional intent. The status of the petitioner as a China Trade Act company does not affect the subsidiary companies, which neither receive any advantages nor escape any disadvantages merely because their stock is owned by a China Trade Act company. No China Trade Act privileges or immunities or benefits are extended to the subsidiaries, nor do they escape whatever regulation, taxation, or burdens they already have under the laws creating them. If it can be thought that petitioner is circumventing The China Trade Act, the circumvention turns out to be an academic or naked one because nothing much appears to result from it except the circumvention itself.

"The Court thinks the stipulated facts do not establish any sufficient reason to ignore the non-conductor which the law puts between parent and subsidiary companies or to construe the China Trade Act in any but its legal meaning. The Act contains no prohibitions against its companies acting as holding companies or owning stock of insurance companies, and the Court thinks the Secretary of Commerce or this Court cannot derive these prohibitions from the Act. The relief prayed will be granted and appropriate judgment will be entered."

Allies Face Grave Ordeal as Hitler's Iron Legions Overrun Northern France, Threaten Paris

WITH bated breath an anxious world is watching the further development of the European war, for the fate of the Allied cause seems to be hanging perilously in the balance. Holland is completely in German hands, likewise most of Belgium. Hitler's powerful army divisions, moving at lightning pace on steeds of steel, have driven through northern France to Abbeville, at the estuary of the Somme River on the coast of Flanders, and from that point are only 70 miles distant from Hastings on the east coast of England. Allied forces said to total a million men are cut off from the main armies and isolated in northern France and southern Belgium. Supporting themselves on the powerful right wing which their drive to France's northern coast has established, Nazi forces are operating in the rear of France's Maginot Line and driving steadily in the direction of Paris.

It seems that only a miracle can save France from being completely overrun by Hitler's terrifying war machine, and then, presumably, England's turn would come. It was at Hastings in 1066 that William the Conqueror vanquished the Anglo-Saxons after a successful invasion of England. Will Hitler prove to be a second William?

Allied anxiety was voiced in undisguised terms by Premier Paul Reynaud of France in a statement to the Senate early this week in which he announced the fall of Arras and Amiens. Abbeville was captured by the Germans soon after. Said the Premier: "France and England cannot be beaten. They cannot die. If people say to me 'a miracle is needed to save France,' I would reply that I believe in miracles for I believe in France." The French Premier made the painful admission that French divisions along the Meuse, where the Germans broke through into France and Belgium at the beginning of their offensive, had not been sufficiently numerous to withstand the assault of the Nazi forces, and that the more seasoned French troops were in another sector. More: "By reason of incredible mistakes, which will be punished, bridges over the Meuse were not blown up."

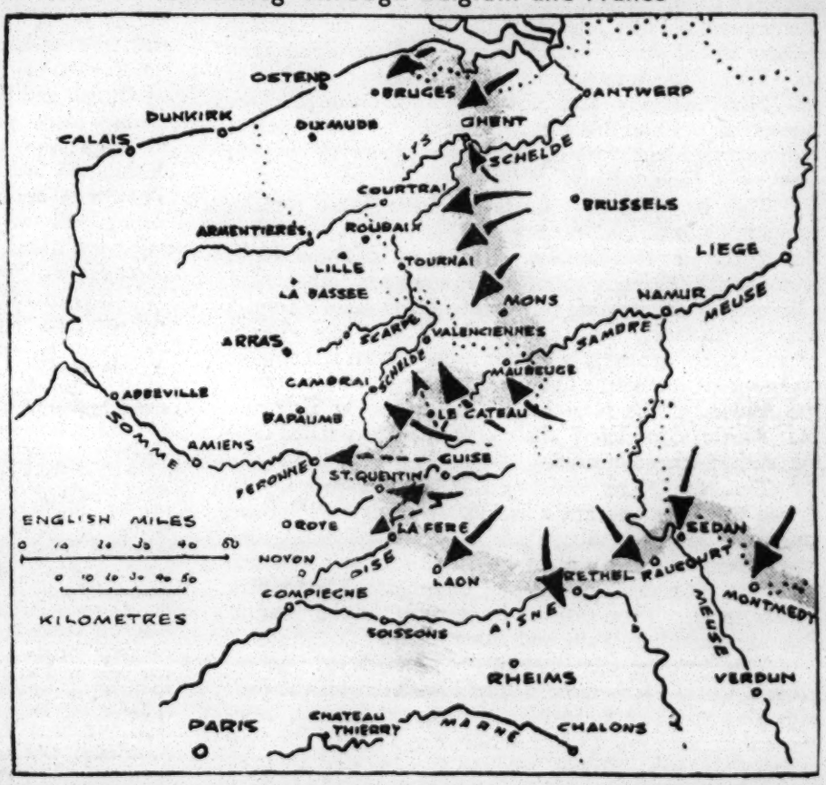
More ominous than these admissions was M. Reynaud's confession that the French army has been fighting on the basis of outmoded operational conceptions. Said he: "Is the moral value of our army in doubt? Not at all.—The combats which took place in Belgium during the first days proved it. The truth is that our classical conception of the conduct of war met with a new conception. At the basis of this conception there is not only the massive use of armored divisions, there is not only the cooperation of armored divisions and fighting planes, there is a will to disorganize the rear of the enemy by raids in depth and by parachutists who in Holland nearly took The Hague and in Belgium seized the strongest fort in Liege."

This is the Nazi military plan against which the French High Command counterposed a "classical conception" of the conduct of war. It is little wonder, then, that the Nazi war machine has made such astounding progress. As the Nazi peril struck into the vitals of France, the government at Paris took the step of replacing its Generalissimo. General Maxime Weygand, commander-in-chief of the Allied forces in the Near East, has stepped into the shoes of General Gustave Gamelin. Weygand is credited with being a man of greater initiative than his predecessor, but his age—73 years—is against him. And Marshal Petain, another aged hero of the first World War, has been brought from his ambassadorial post at Madrid to serve on the War Council in Paris.

A remarkable thing indeed is the fact that France, thus far, has thrown up no new and youthful military talent to meet the youthful, bold-visioned commanders of the Nazi war machine. At the beginning of the war, the Allies made much of the fact that the Germans had little commanding personnel with World War experience. It must seem now that what was considered a German liability in this respect turns out to be an immense asset.

It is, of course, the immensely powerful war machine which Hitler created that gives the Germans most of their present "edge" over the Allies—that plus the fact that it is moved into action by the direction of a single will. But of almost equal importance is the fact that the Germans have a corps of youthful, energetic and audacious commanders. It is not going too far to assert

Blitzkrieg Through Belgium and France



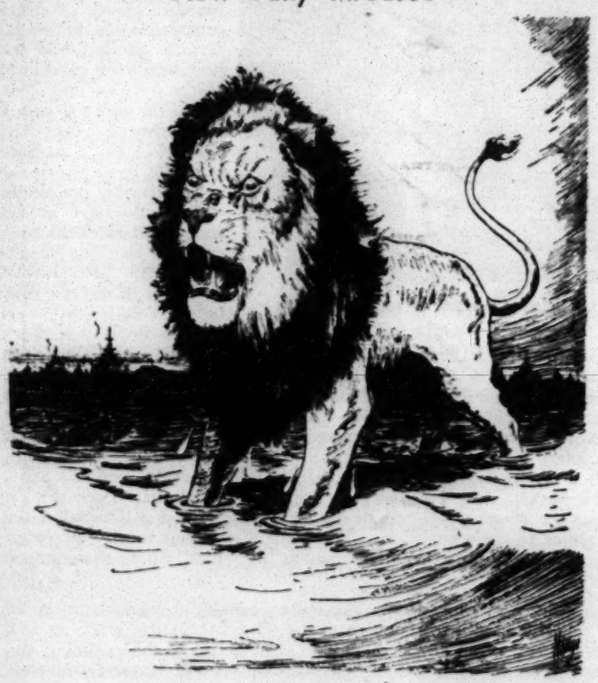
N.-C.D.N. Map

Arrows indicate the main points of the German advance through Belgium and France, the positions shown being those which were recorded in news dispatches by Tuesday of this week. German forces driving westward to the Atlantic coast through northern France had already reached Abbeville, at the estuary of the Somme River, thus arriving at a point only 70 miles distant from Hastings on the east coast of England.

that if the "mircale" which M. Reynaud hopes for is to materialize, France and her ally will have to place their war machine in the hands of men less hampered by outworn military tradition, men of bold vision, men of daring. Youth alone combines these qualities. This is not to say that the older men are of no use. Their experience is valuable in the extreme. They should advise. But they should not command.

The desperate position of France was evidenced by Premier Reynaud's statement to the Senate in which he declared: "No flinching will be tolerated. There will be no more dilatory procedures for traitors, saboteurs and cowards." This would suggest that the morale of the French army under the pounding of the mighty Nazi war machine has been wilting. The assumption is strengthened when one remembers that at the beginning

Now Fully Aroused



New York Times

of the German offensive in France General Gamelin called on France's warriors to die where they stood if unable to advance, but never to yield an inch of territory. Such admonitions are superfluous when an army is in good fighting trim and making headway.

It would be idle to attempt a forecast of the immediate outcome of the battle now raging on the Western Front. There seem to be two alternatives: If the Allies can stem the German advance, establish firm positions, bring up a steady flow of men and munitions to make good the wastages of battle, the groundwork may be laid for an Allied counter-offensive which will hurl the exhausted German legions back from French—and later Belgian—soil. Should this prove impossible, and time is the essence of the matter, all France will probably be overrun by the Nazi invaders and the direct attack on England will begin, with the Germans occupying powerful assault positions.

All England is preparing for this second eventuality. Prime Minister Churchill, in a speech late last week, envisaged a Nazi invasion of England as a certainty, and indeed it begins to look as if England is about to experience the horrors of warfare which her insularity and powerful navy have spared her for nigh nine centuries. The terrors of such an invasion probably will be greater in heavily-populated England than in such countries as Holland and France.

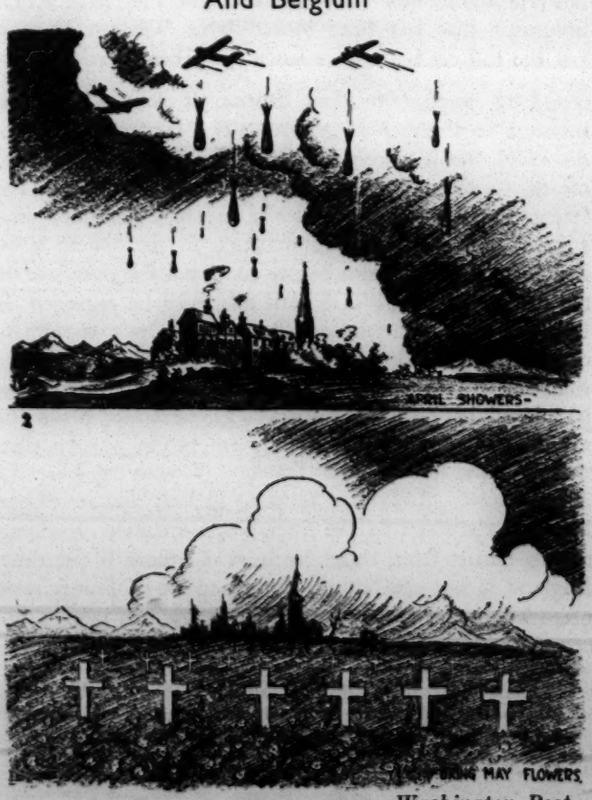
Apart from military measures, England is preparing for her ordeal by clamping down on opponents of the war. Winston Churchill introduced a bill on Tuesday of this week providing seven-year prison sentences for

Traffic Rules

Daily Herald, London

The French authorities put up road signs in English for the benefit of the British Expeditionary forces. Percy:— "I suppose we would be fined if we turned around here."

Spring in Scandinavia, Holland, France And Belgium

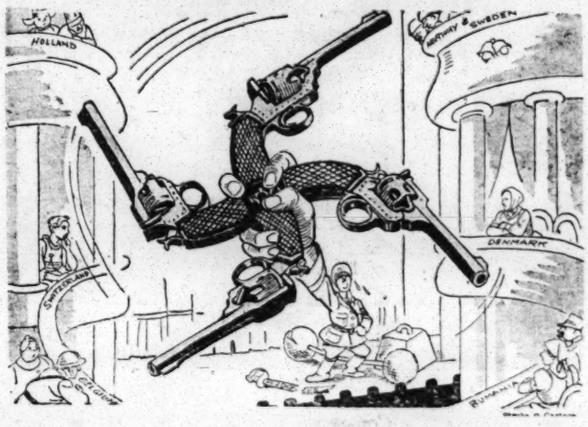


Washington Post

defeatists and the death penalty for traitors and saboteurs. The first victims of the new measure, which was rushed through Parliament in a single day, are likely to be the Communists and their organizations. Like Communists in other countries (including the United States) Stalin's agents in Britain blame the Allies for the war and have opposed the Allied war effort from the outset.

From this distance one can only vaguely sense the poignancy of the sufferings and the intensity of the catastrophe which modern war means to civilian populations—not to speak of the soldiers who must stand in the front lines, pitting their bodies against steel and fire. Thousands are said to have been killed when Nazi bombers hurled their terrible demolition and incendiary

Hitler Performs for the Neutrals



Strube, London

bombs on Rotterdam and other towns in the Netherlands. Civilian casualties in Belgium have also been heavy. No one knows how many soldiers have died in this mad holocaust that has been loosed over Western Europe, but the toll on both sides has already been terrific.

Last week, President Roosevelt sent a personal message to Premier Mussolini. The contents were not disclosed, but it is known that the President tried by this means to dissuade Italy from entering the war. The Italian Premier is reported to have sent a non-committal answer, but judging by statements in the Italian press it will not be long now before the Fascist legions are on the march. France's dire peril may well be regarded in Rome as a heaven-sent opportunity for Italy to step in on Germany's side and do a little grabbing while the grabbing is still good. It is not without the bounds of likelihood that President Roosevelt gave Premier Mussolini a judicious warning that if Italy enters the war on Germany's side, the United States will actively join the Allied cause. Americans residing in Italy and in Egypt have been advised by the State Department in Washington to depart from those lands while there is yet time. England is not safe either, not to speak of France, and preparations are afoot to evacuate Americans from those countries.

We see an appalling picture of a civilization which seems to be dissolving in flame and smoke. Barbarism clad in mailed armor is on the wildest rampage of all time. No one can foresee the outcome.

General Maeda May Clean Up the Badlands Resorts

It was rumored in police circles in Shanghai this week that Major-General Masami Maeda, new chief of the Japanese Army Special Service Section, may shortly stage a genuine clean-up of gambling houses in the notorious Badlands area, which have been operating without cessation since the closure orders issued by Gen. Maeda's predecessor, Major-General Yoshiharu Takeshita, who was transferred to Inner Mongolia. Gen. Takeshita announced at a press conference, which was attended by several foreign newspapermen, that all gambling houses located off Settlement roads, such as Bubbling Well, Great Western, Yu Yuen, Jessfield and Avenue Haig, would be closed "by the end of March." Gen. Takeshita announced that the Special Service Section had supervision over gambling, opium smoking and other resorts through a so-called "Department for the Control of Amusements."

Maj. General Masami Maeda

Although practically two months have passed and it frequently has been rumored that the Japanese Army "had washed its hands of the vice dens in the Badlands," no closure order has been issued and at least one new "palace" known as the "China Club" has been opened on Great Western Road. It is rumored that this resort, embracing gambling and opium-smoking, cost more than $1,000,000 and was opened following the closure of the "Asia Club" on Gordon Road, which allegedly received Japanese protection. The Asia Club, located entirely within the International Settlement, had as one of the partners a Japanese named Sako. However, the Japanese authorities disclaimed responsibility for the resort when one of the local consular officials brought the matter to their attention. The place was closed shortly afterward and it was rumored that the Japanese "protector" Sako had decamped to Japan.

Shortly after Gen. Takeshita announced his intention of "withdrawing" protection from the resorts there was a serious row and threat of an armed clash over the control of the gambling and opium tax by adherents of Wang Ching-wei and Mayor Fu Siao-en. As a result the Japanese allegedly were forced to return their "protection" to the places in order to prevent violence. Shortly afterward Gen. Takeshita was transferred to the semi-arid spaces of Inner Mongolia.

Since Major-General Maeda, new chief of the Army Special Service Section, has had a good record in the Army, hope has been expressed that he shortly will take action definitely to close the vice dens which have done more to discredit Japanese military control here than anything else.

Startling information definitely linking the crime situation in the Settlement with the political set-up in the Badlands area was disclosed by the Settlement and Consular authorities on Wednesday of this week. While the Council's statement did not provide detailed information, it was learned that steps are being taken to obtain the withdrawal of Wang Ching-wei's so-called "Peace and National Salvation Army" from its headquarters on an extra-Settlement road. This so-called "Army" which was brought into Shanghai's environs when Wang Ching-wei arrived on the local scene, is largely composed of gangsters who protect and live on the proceeds of the vice dens in that area. The strength of this force is unknown, but it was reported that 3,000 are employed in protecting the gambling and opium dens alone.

The statement issued by the Council said that political armed crime, kidnapping and other forms of lawlessness had caused gravest concern. . . . . hence the Council felt it was its duty to report its anxiety to the Consular Body and urge that action be taken immediately to remedy the situation "which is so gravely disturbing to every law-abiding citizen of Shanghai."

Although the largest and most opulent of the Badlands resorts such as "Hollywood," "Honeymoon," "China Club" and others are owned and operated by professional Cantonese gamblers,

gangsters and politicians and their Japanese partners who provide the "protection," there recently has been a tendency on the part of foreigners to "muscle in" on the profitable business.

In view of the fact, that the gambling and opium-smoking dens in the Badlands and the low class bars and dives which live on the slot-machine racket in the French Concession and adjoining area are a chief source of crime in the foreign administered areas, it would seem that the foreigners also should take the initiative and "clean their own dirty linen," regardless of what the Japanese and their Chinese puppets do. Perhaps the precedent of foreign action and the element of "face" might stimulate action on the part of the Sino-Japanese elements.

Power Company's Report Shows Highest Production in History

The Shanghai Power Company, despite war and near-war conditions in areas surrounding Shanghai throughout 1939, generated and sold more power units than at any other time in the Company's history. The annual report, issued this week, stated that an all-time high record for output had been established, the figures being 865,713,000 kilowat-hours, representing an increase of 271,092,301 kilowat-hours above the 1938 output. Graphs published in the report indicated the significant trend toward improvement of industrial conditions in the International Settlement. The number of customers, however, was somewhat below two previous high points. The number of customers at the end of 1939 was 78,577. On Dec. 31, 1936 the number of customers was 78,934 and on August 13, 1937 (date)of outbreak of war) the number of customers was 80,976.

Referring to conditions following the outbreak of Sino-Japanese hostilities, the intensive military operations "which were prosecuted within 50% of the Company's franchise area during the latter part of 1937, deprived the Company of approximately 22,000 customers. With continued restrictions within that portion of the franchise area, the return to residence there has been slow despite the fact that industrial undertakings have promptely rehabilitated their properties and placed them in service." The report stated that it is still necessary to transport much labor "to and from its occupations while residing outside the restricted areas."

Developments in the area north of Soochow Creek, popularly known as Hongkew and Yangtszepoo, "have tended to stimulate the growth of demand for the Company's service in districts which are not affected by military restrictions." This statement referred to the growth of the new industrial development in the western district of the Settlement and adjacent territory. The report stated, "it would now seem that the load center of the Company has definitely shifted toward the west."

The power Company's operating revenues and expenses both tremendously increased last year with the declines of the Chinese dollar's exchange value, but expenses rose less than revenues. Revenue increased by $26,200,000 **to** $51,200,000 **while expenses soared by** $21,700,000 **to** $38,500,000. **The result is that, including other income, the Company's gross income has increased considerably by** $4,100,000 **to** $13,342,-628,42.

The net income for 1939 **shows an increase by** $4,000,000 **over the previous year aggregating** $5,857,586.17 **against** $1,837,92 **in** 1938. **The net income thus has been more than trebled. The earned surplus at the end of last year stood at** $14,107,755.15, **showing a rise of** $3,177,302.26 **over the end of** 1938.

Chief item on the expense side of the ledger was concerned with coal. In 1935-1936 cost of coal represented about 41% of the operating expenses of the Company. In 1939 it represented 64%. Prior to 1932 (year following outbreak of war in Manchuria) the Company obtained its coal from China proper, the Manchurian provinces and Japan. As a result of increased industrial activity in Japan—due to the war—Nippon has not only ceased exporting coal, "but has become a steadily greater importer of coal from Manchuria and from China." Under normal conditions, stated the report, China has substantial coal deposits and an abundant supply of labor which "were developed to produce the coal required by Japan for coal produced in China." In other words the production of China coals had relatively kept pace with demand and there had been no abnormal disruption of supplies or prices resulting from changing circumstances in which Japan reversed her position from a coal exporter to an exporter of coal.

But coal production in China—excepting in Hopei Province —"virtually ceased . . following the outbreak of hostilities in the summer of 1937." To quote from the report: "Mines were destroyed, rail service disrupted, rolling stock destroyed or removed, coastwise tonnage diverted and mine-labor scattered . . these conditions still prevail . . "

The Kailin Mining Administration, whose mines are located in Hopei Province to the north of Tientsin, has maintained shipment of its allocated coal to the Company, but despite this it has been necessary for the Shanghai Power Company "to import more than half of its requirements from abroad . . such "purchases were made from the United States, Africa, India, all priced in foreign currencies." A further factor affecting cost of the Company's fuel, was shortage of ocean tonnage.

Aside from coal the Company also must purchase a preponderant portion of its consumable stores and equipment abroad in foreign currencies, with the Chinese dollar equivalent.

Referring further to coal costs, the report contained a table indicating that total costs for coal had jumped from $343,161.70 in 1935 to $7,303,571.19 for 1939. The average unit cost of coal delivered to the power station in 1939 was more than four and half times such cost for the average of the years 1935 and 1936.

Referring to surcharges which were authorized by the Council to compensate the Company "in the event costs advanced above 1928 levels, or in the event of a decreased exchange value of the Chinese dollar,," the report stated, "Both of these events have occurred to an unprecedented degree, but the Company made no attempt to secure any relief until the summer of 1938. It then voluntarily proposed to the Shanghai Municipal Council a temporary plan for providing a portion of the relief otherwise granted it under its franchise contract. The proposal as made by the Company and authorized by the Council came into effect from September 1, 1938, and was in the form of a surcharge upon existing rates. The surcharge is determined each month between the Council and the Company. It is based upon the exchange value of the Chinese dollar and is designed to compensate the Company for increased costs of operation and maintenance caused by the fall in the exchange value of the Chinese dollar.

"In proposing to accept a portion of its contracted rights the Company was actuated by a desire to assist in the then much needed rehabilitation of Shanghai and the reemployment by industries in Shanghai of the many hundreds of thousands of destitute workers. Reference to the years 1937 and 1938 in the graph on page 15 will indicate the inactive status of Shanghai's industries between August, 1937, and the autumn of 1938.

"In view of the depressed conditions prevailing at the time the surcharge was agreed upon, the Company made no attempt to obtain relief under the surcharge to meet its increased, and increasing, commitments arising from the rapid rise in the cost of all its capital requirements, such as for the renewal or replacement of worn-out equipment, or for extensions to the existing plant. The surcharge was proposed by the Company and accepted by the Council as a temporary expedient pending the long hoped for reversion to normal conditions. In the meantime, most of Shanghai's industries have recovered to their normal activity, many new industries are being established, and many of the existing plants are being expanded to the point where it has already been necessary for the Company substantially to extend its transmission and distribution equipment, as well as to resume work upon the generating plant extension which was underway in 1937. At prices and exchange prevailing in 1937, such extension was estimated to cost $9,550,000.00; because of the decline in rates of exchange this estimate will be greatly exceeded, and if a new extension of similar capacity were to be started now the cost would be more than three times this amount. Installed equipment is in steady process of being worn out and must be replaced with new equipment purchased at prices far in excess of the book value of the original equipment."

Power production by the Shanghai Power Company, according to the report, now exceeds that of Manchester, Birmingham, Liverpool and Sheffield, leading industrial cities of Great Britain. Other interesting statistics credited Shanghai with an estimated population of 3,000,000. The Company has 997 miles of electric lines.

The Company's advisory Board includes, H. E. Arnhold, Arthur Bassett, Y. Hanawa, A. S. Henchman, P. S. Hopkins, Li Ming, H. W. P. McMeekin, K. M. Pharis, M. Speelman and T. K. Tsutsumi. Officers of the Company are W. S. Robertson, chairman of the Board, P. S. Holpins, president; L. M. Pharis, Vice-vice-president and general manager; J. S. Carson, vice-president; Markham Cheever, vice-president; J. H. Moseley, vice-president; Ashley Harman, controller; A. Kendal Ward, secretary and treasurer; R. G. Woodhead, assistant secretary and assistant treasurer; W. B. Stafford, assistant secretary and assistant treasurer; B. F. Unser, assistant secretary and R. J. Farlow, assistant treasurer. The auditors are Haskins and Sells of Shanghai and New Yoek.

Flying Officer Peach Reported Missing on Western Front

Mr. and Mrs. N. W. Peach of Shanghai have received word from the Air Ministry, London, that their son, Flying Officer Anthony Colin Peach, was reported missing on May 19. He was engaged in air operations, presumably in France. He was born in Shanghai and attended the Cathedral School. He went to England in 1937 to join the Air Force. He was 21 years old.

Soviets Seized Many of Finland's Paper Mills

Twelve paper and pulp mills, estimated to embrace 5.9% of Finland's newsprint production and 23.7% of the country's paperboard production were lost as a result of Soviet aggression in Finland, according to an article in *Editor and Publisher*, New York. While the new boundary lines have not yet been officially defined, it was stated that the territory ceded to the Soviet Union contained mills with a capacity of 176,000 tons of chemical pulp annually. Should it be found that the town of Enso is included in the territory ceded to the U.S.S.R. it would mean the loss to Finland of 270,000 tons and five mechanical pulp mills with an approximate annual capacity of 25,400 tons. Prior to the Soviet invasion, Finland's exports of pulp to the United States were rapidly increasing, but since have declined rapidly, stated the report. A bulletin issued by the American Newspaper Publishers Association expressed the opinion that paper production in the United States, Canada and Newfoundland would be sufficient to supply the demands of American newspapers despite the Scandinavian situation. Newsprint consumption in the United States has increased 10% in recent months, while imports from abroad have decreased. A new experimental paper mill recently has been established in one of the southern states of the American Union with the object of using "slash pine," an inferior type of tree heretofore regarded as unsuitable for newsprint production. The mill is using a new patented method which, if successful, will enable the United States to produce most of its newsprint needs domestically.

The subject is of interest in China as this country depended largely on paper imported from Scandinavian countries. Prices for newsprint paper have risen to almost prohibitive heights since the Stalin invasion of Finland and the Hitler invasion of Norway.

Shanghai Waterworks Allowed New Surcharge

At its meeting on May 15, the Shanghai Municipal Council endorsed a recommendation by the Public Utilities Committee that the Shanghai Waterworks Company, suppliers of water to the International Settlement, be permitted to increase their tariff surcharge from the present 50 per cent to 110 per cent, as from June 1, 1940. In making the proposal to the Council, the Public Utilities Committee also recommended that the Company be asked to enter into conversations with Council representatives "with a view to exploring means whereby consumers may be relieved to some extent of the heavy burden of providing the sterling dividends authorized under the Company's franchise."

Wang Ching-wei's *Central Press* stated recently that the increasing cost of living in Shanghai was driving Chinese residents to Japanese-occupied districts within the control of the puppet Nanking government. A large influx of these people was being experienced at Nanking and Soochow, the report said.

Uyehara Said Resigned From Settlement Police

Deputy-Commissioner Shigeru Uyehara, chief of the Japanese section of the Shanghai Municipal Police for the past 11 years, has submitted his resignation, according to a report late last week in the *Tairiku Shimpo*, local Japanese Army organ. Ill-health was stated to be the reason for the resignation.

MORBID?

Why blame the climate? To feel bright and energetic, even when the weather leaves much to be desired, intestinal congestion must be avoided.

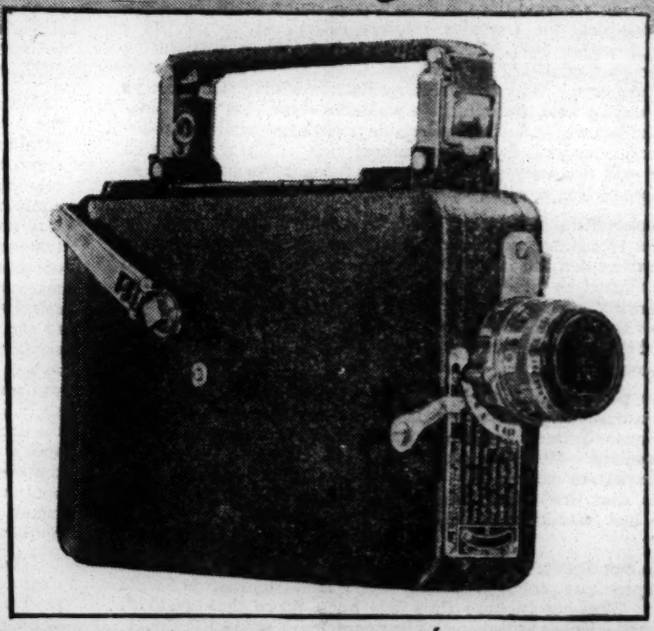
A dose of Pinkettes now and then is usually all that is needed to keep the system clear and to ensure health and vitality. Pinkettes are tiny pink laxative pills which act in a gentle normal way and help quickly to establish regularity of the daily habit.

Get a vial to-day, they are obtainable at all Chemists.

PINKETTES

Restore Cheery Well-Being.

MOVIE MAKING WITH THE "Thumbs" left out



MAGAZINE CINÉ-KODAK

To load it, open the hinged side, slip in a film magazine, and close the cover. That's all there is to it; there's no chance to make a mistake, no chance for a thumb to blunder.

That is but one of the many features of Magazine Cine-Kodak (16 mm.). Because it is compact as well as capable, it is a favorite among travelers. It may be fitted with a variety of accessory lenses, from a short focus wide angle objective to a 6-inch telephoto. It has three useful operating speeds, normal, intermediate, and "slow motion"; and a "pulse" which beats reassuringly against your hand to tell you, despite noise (as in an open plane), that the camera is running and also to give you a check on the footage used during a "take".

Magazine Cine-Kodak loads with 50-ft. magazines of Kodachrome, the full-color film, as well as Super-XX, the high-speed film, and Super-X, the fine-grain film. You may switch from one film to another, by the way, instantly and without the loss of a single frame.

EASTMAN KODAK COMPANY

185 Yuen Ming Yuen Road, Shanghai.

Shanghai Americans Mark Foreign Trade Week in Series of Functions

With the knowledge that commerce between the United States and the Far East, including Japan, had materially increased during the first quarter of 1940 over the first quarter of 1939, American businessmen in this metropolis of the Orient "went to town" during the past seven days to boost Foreign Trade Week.

The present year bears all portents of being the best trade year between the United States and the Far East since the beginning of the Sino-Japanese war, and the Shanghai American Chamber of Commerce did not stint its efforts to rub this realization home to local Chinese and American merchants. Goodwill tiffins and specially designated days were in order.

Treasure Island Broadcast

The week opened May 20 with a broadcast from San Francisco's Treasure Island of a speech by American Secretary of State Cordell Hull in which it was emphasized that the United States must rely on the two-fold policy of building up a strong national defense and relying on reciprocal trade principles if it desires to lay the groundwork for permanent security and peace. It was a commentary on the world situation that Mr. Hull could not deliver the speech in person because an urgent communication on the latest European war developments kept him tied to a Paris-connected telephone in Washington.

"International Goodwill Sunday," was the publicity title awarded May 19 and to get Shanghai Americans in a mood for the week ahead Commander H. Dumstrey, U. S. Asiatic Fleet Chaplain, declaimed from the pulpit of the Fourth Marines Church on "International Goodwill." At the same time, the congregation of the American Community church received "A message for grey days" from the Rev. W. H. Hudspeth of the China Bible House. At the Navy Y.M.C.A. the regular Sunday evening entertainment was devoted to a talk on Chinese-American relations.

Wednesday dawned as "National Maritime Day" in commemoration of the American steamship Savannah's voyage from the city of that name to Liverpool in 1819. It was the first trans-Atlantic steam passage to be made. The historical event was brought home to students of the Shanghai American School in a talk by Rear-Admiral W. A. Glassford, Commander of the U. S. Yangtsze Patrol.

Rotary Club Tiffin

The serious part of Foreign Trade Week drew to a climax Thursday and Friday. Thursday the Rotary Club held a Foreign Trade tiffin at which American Consul Horace H. Smith was one of the speakers.

The American Chamber had its big day yesterday when it entertained seventy-odd young graduates of the Shanghai American School and a number of Chinese students preparing to enter American Universities, at a grand tiffin in the American Club.

Joint hosts with the Chamber at this gala affair were the American University Club and the American University Women's Club. The Junior Chamber took charge of the entertainment through its President, Mr. H. Maxcy Smith Jr. Speeches were delivered by Mr. Richard P. Butrick, Acting American Consul-General, and Mr. William L. Z. Sung, Vice-President of St. John's University.

As this paper went to press, Foreign Trade Week was culminating in a black-tie dinner of the city's most prominent American and Chinese taipans at the American club. For the jaded there was a "March of Time" newsreel; for the entire banqueting hall there were speeches on the closer cementing of Sino-American trade ties. Probably every American present realized that with ordinary trade strangled in a warring Europe the Shanghai American Chamber of Commerce will bear added responsibility for the furtherance of American foreign trade during the year 1940.

Far Eastern Wrecker

The Washington Post

Shanghai Germans Told to Vacate Mission Apartments

Germans living in Shanghai began feeling the impact of the European war in their personal lives last week when those of them occupying apartments owned by the Belgian Missions of Scheut were given orders to vacate "as soon as possible." Among the apartment buildings owned by the Missions and in which there are German tenants are the Astrid Apartments at the corner of Route Vallon and Route Cardinal Mercier and the King Albert Apartments at the corner of Avenue du Roi Albert and Rue Lafayette, both in the French Concession.

The British authorities in Hongkong took several Germans into custody last week, according to *Domei*, and they will be interned unless they leave the Colony. They were originally rounded up when the war broke out last September, but were given their liberty again subject to certain restrictions.

Japanese Counter Chinese Claims of Victories in the Fifth War Zone

COUNTERING Chinese claims of important victories on the northern Hupeh front, Japanese sources claimed this week to have crushed a Chinese counter-offensive and to have "trapped" 200,000 Chungking troops representing the bulk of Gen. Chiang Kai-shek's forces in the Fifth War Zone. This large body of men, it was stated, had been encircled by Japanese forces in a small sector between the Pai and Tang rivers to the northwest of Tsaoyang and on the Hupeh-Honan border. Chinese war dead, according to one Japanese dispatch, "lay in heaps" following crushing engagements.

Chinese Claim Victories

Japanese claims of an annihilating victory came hard on the heels of Chinese reports claiming signal victories over the Japanese Army. The first such report was contained in a *Kuo Min* dispatch from Fancheng which stated that Chinese troops in Honan on May 16 recaptured Tsaoyang, strategic city about 45 miles east of Siangyang in northern Hupeh. This reported victory was followed two days later by the recapture of Sinyang, on the southern section of the Peiping-Hankow Railway in southern Honan, according to another *Kuo Min* dispatch.

Apart from the fighting on the Hupeh-Honan border, Japanese aerial activity has been the main feature of China war news lately. Chengtu, capital of Szechwan Province, and the nearby city of Suining were bombed by Japanese aircraft on the night of May 18. The raid over Chengtu, which was conducted over the western outskirts of the city, was accompanied by an aerial battle as Chinese fighters attacked the raiders. Anti-aircraft batteries also took part in the engagement, but no Japanese machines were said to have been downed. Damage caused by the bombing raids was slight, according to reports from Chungking. The Japanese, however, claimed to have severely damaged Chinese military establishments.

Lungchow, situated along the supply route from French Indo-China into southwestern Kwangsi was bombed by a Japanese air squadron on May 17, *Domei* reported. Warehouses filled with drums of oil were destroyed in the raid, it was claimed.

General's Body Found

According to a *Domei* report on May 17, the Japanese have recovered the body of Gen. Chang Tzu-chung, commander of the right-wing forces of the Chungking armies in the Fifth War Zone, who was killed recently in the vicinity of Changkiatsi, northern Hupeh. Gen. Chang, it was stated, was born in 1890 at Lintsing, Shantung Province, and joined Gen. Feng Yu-hsiang's army in 1914. He was a divisional commander for a number of years and in 1935 held the post of chairman of the Chahar Provincial Government.

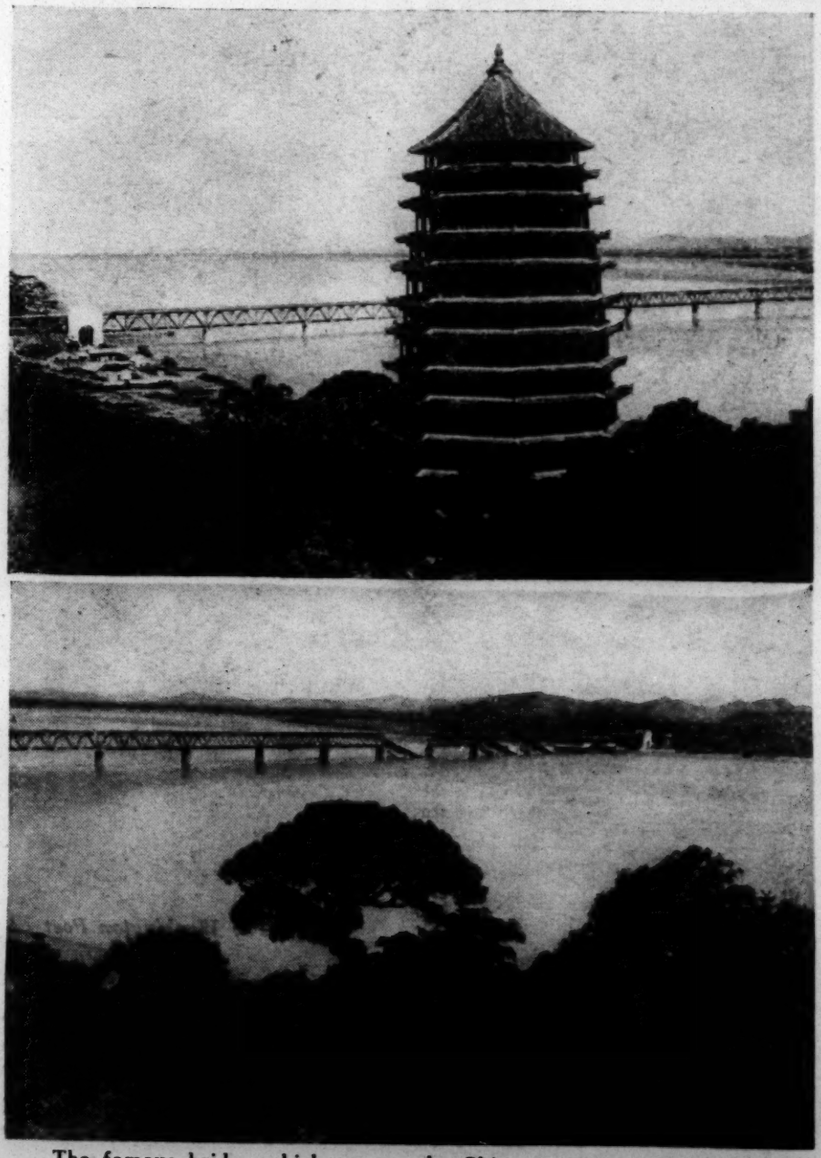
Japanese claimed as victim still another Chinese commander in a dispatch dated May 18. His name was given as Gen. Chang Ching, chief of staff of the 33rd Army, and he was said to have met his death during Japanese mopping-up operations near Changkiatsi, where Gen. Chang Tzu-chung's body was reportedly found.

Gen. Shigeru Honjo, former commander of the Kwantung Army in Manchuria and now president of the Japanese Soldiers' Aid Society, arrived in Peiping on May 18 for a tour of the North China fronts, *Domei* reported. He was welcomed at the station by a large number of Japanese officials and Chinese civilians, the Japanese agency said.

Fukuda Elected Head of Nippon Residents Here

Mr. Chiyosaku Fukuda was elected president of the Japanese Residents' Corporation at a meeting of that body which took place on May 11. His selection followed efforts spread over six months to find a candidate acceptable to the entire membership of the Corporation. During that period Mr. Fukuda was acting president. His election as president has reportedly been endorsed by Mr. Yoshiaki Miura, local Japanese consul-general.

Before and After



The famous bridge which crosses the Chientang River as it flows into Hangchow Bay a short distance beyond Hangchow, capital of Chekiang Province. The bridge was a difficult engineering feat because of the high tides which prevail in Hangchow Bay, at certain seasons rising to tremendous heights The bridge was just completed when the Japanese made their drive on Hangchow, so the retreating Chinese forces destroyed several spans, as shown in the picture. The bridge and connecting railway through Anhwei, Kiangsi and Hunan provided all rail connection between Shanghai and Canton-Hongkong. Although many attempts have been made, the Japanese rever have succeeded in obtaining a foothold on the south bank of the river.

U. S. Preparedness

Text of President Roosevelt's Message to Congress

Editor's Note:—Following is the text of the message delivered by President Franklin D. Roosevelt before a Joint Session of the Senate and House of Representatives on May 16, in which he asked for a new immediate appropriation of $896,000,000 for the expansion and armament of America's defense establishments.

These are ominous days—whose swift and shocking developments force every neutral nation to look to its defenses in the light of new factors. The brutal force of modern offensive war has been loosed in all its horror. New powers of destruction, incredibly swift and deadly, have been developed; and those who wield them are ruthless and daring. No old defense is so strong that it requires no further strengthening and no attack is so unlikely or impossible that it may be ignored.

Let us examine without self-deception the dangers which confront us. Let us measure our strength and our defense without self-delusion.

The clear fact is that the American people must recast their thinking about national protection. Motorized armies can now sweep through enemy territories at the rate of 200 miles a day. Parachute troops are dropped from airplanes in large numbers behind enemy lines. Troops are landed from planes in open fields, on wide highways and at local civil airports. We have seen the treacherous use of the "fifth column" by which persons supposed to be peaceful visitors were actually a part of an enemy unit of occupation. Lightning attacks capable of destroying airplane factories and munition works hundreds of miles behind the lines are part of the new technique of modern war. The element of surprise which has ever been an important tactic in warfare has become the more dangerous because of the amazing speed with which modern equipment can reach and attack the enemy's country.

Our own vital interests are widespread. More than ever the protection of the whole American hemisphere against invasion or control by domination by non-American nations has the united support of the twenty-one American republics, including the United States. More than ever this protection calls for ready-at-hand weapons capable of great mobility because of the potential speed of modern attack.

The Atlantic and Pacific Oceans were reasonably adequate defensive barriers when fleets under sail could move at an average speed of five miles an hour. Even then by a sudden foray it was possible for an opponent actually to burn our National Capitol. Later the oceans still gave strength to our defense when fleets and convoys propelled by steam could sail the oceans at fifteen or twenty miles an hour. But the new element—air navigation—steps up the speed of possible attack to two hundred, to three hundred miles an hour. Furthermore, it brings the new possibilities of the use of nearer bases from which an attack or attacks on the American Continents could be made. From the Fiords of Greenland it is four hours by air to Newfoundland; five hours to Nova Scotia, New Brunswick and Quebec; and only six hours to New England. The Azores are only two thousand miles from parts of our eastern seaboard and if Bermuda fell into hostile hands, it is a matter of less than three hours for modern bombers to reach our shores. From a base in the outer West Indies the coast of Florida could be reached in two hundred minutes. The islands off the West Coast of Africa are only fifteen hundred miles from Brazil. Modern planes starting from the Cape Verde Islands can be over Brazil in seven hours and Brazil is but four flying hours to Caracas, Venezuela; and Venezuela but two and one half hours to Cuba and the Canal Zone; and Cuba and the Canal Zone are two and one-fourth hours to Tampico, Mexico; and Tampico is two and one-fourth hours to St. Louis, Kansas City and Omaha.

On the other side of the Continent, Alaska with a white population of only thirty thousand people is within four or five hours of flying distance to Vancouver, Seattle, Tacoma and Portland. The islands of the Southern Pacific are not too far removed from the West Coast of South America to prevent them from becoming bases of enormous strategic advantage to attacking forces.

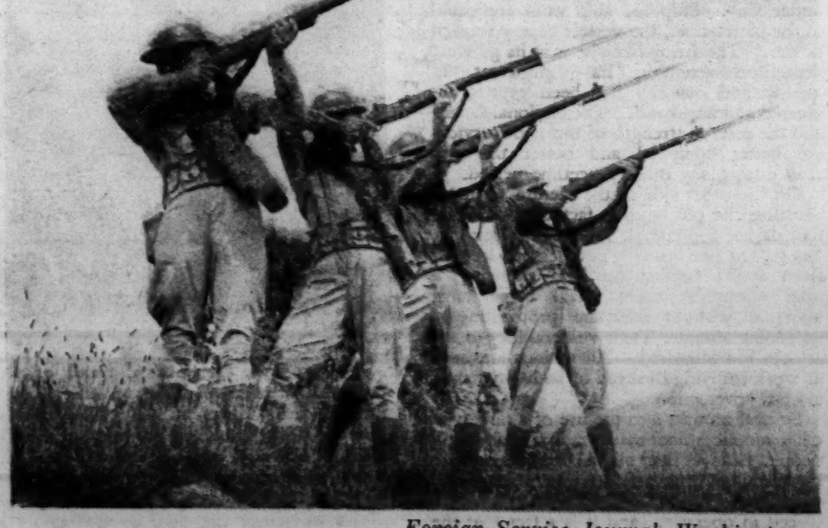
Surely the developments of the past few weeks have made it clear to all of our citizens that the possibility of attack on vital American zones ought to make it essential that we have the physical, the ready ability to meet those attacks and to

U. S. Army Also "Mechanizes"

Foreign Service Journal, Washington

U.S.A. 66th Infantry Mechanized Division in action at maneuvers.

U. S. Army's New Automatics



Foreign Service Journal, Washington

The new rapid-fire semi-automatic Garand rifle, with which the U. S. Army is now being equipped.

U. S. Army's Massed Mechanized Troops

Foreign Service Journal, Washington

prevent them from reaching their objectives.

This means military implements—not on paper—which are ready and available to meet any lightning offensive against our American interests. It means also that facilities for production must be ready to turn out munitions and equipment at top speed.

We have the lesson before us over and over again. Nations that were not ready and were unable to get ready found themselves overrun by the enemy. So-called impregnable fortifications no longer exist, A defense which allows an enemy to consolidate his approach without hindrance will lose. A defense which makes no effective effort to destroy the lines of supplies and communications of the enemy will lose.

An effective defense by its very nature requires the equipment to attack an aggressor on his route before he can establish strong bases within the territory of American vital interests.

Loose talking and thinking on the part of some may give the false impression that our own Army and Navy are not first-rate or that money has been wasted on them. Nothing could be further from the truth. In recent years the defensive power of our Army and Navy and Marine Corps has been very greatly improved. The Navy is stronger today than at any time in the nation's history. Today also a large program of new construction is well under way. Ship for ship ours are equal to, or better than, the vessels of any foreign power. The Army likewise is at its greatest peacetime strength. Its equipment in quality and quantity has been greatly increased and improved. The National Guard and the reserve strength of the two services are better equipped and better prepared than during any other peacetime period.

On the other side of the picture we must visualize the outstanding fact that since the first day of September, 1939 every week that has passed has brought new lessons learned from actual combat on land and sea. I take examples where naval ships have operated without adequate protection by defending aircraft. Their vulnerability to air attacks has increased. All nations are hard at work studying the need of additional anti-aircraft protection.

Several months ago the use of a new type of magnetic mine made many unthinking people believe that all surface ships were doomed. Within a few weeks a successful defensive device against these mines was placed in operation, and it is a fact that the sinkings of merchant ships by torpedo, by mine, or by aircraft are definitely much lower than during the similar period in 1915.

Combat conditions have changed even more rapidly in the air. With the amazing progress in the design of planes and engines, the airplane of a year ago is out of date now. It is too slow, it is improperly protected, it is too weak in gun power. In types of planes we are not behind the other nations of the world. Many of the planes of the belligerent powers are at this moment not of the latest models. One belligerent power not only has many more planes than all their opponents combined, but also appears to have a weekly production capacity at the moment that is far greater than that of their opponents.

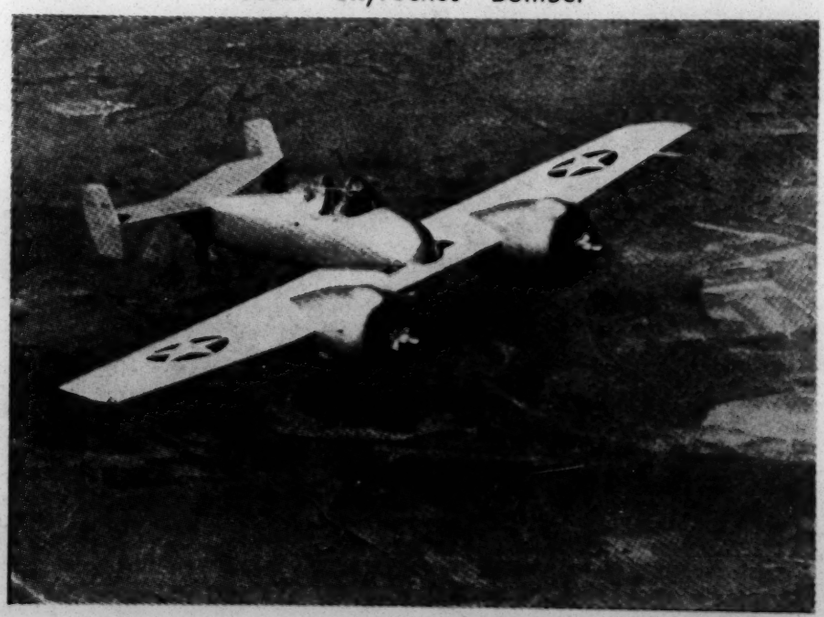
From the point of view of our own defense, therefore, great additional production capacity is our principal air requisite.

For the permanent record, I ask the Congress not to take any action which would in any way hamper or delay the delivery of American-made planes to foreign nations which have ordered them or seek to purchase more planes. That, from the point of view of our own national defense, would be extremely shorthanded. During the past year American production capacity for war planes including engines has risen from approximately six thousand planes a year to more than double that number, due in greater part to the placing of foreign orders. Our immediate problem is to superimpose on this production capacity a greatly increased additional production capacity. I should like to see this nation geared up to the ability to turn out at least fifty thousand planes a year. Furthermore, I believe that this nation should plan at this time a program that would provide us with fifty thousand military and naval planes.

The ground forces of the Army require the immediate speeding up of last winter's program to procure equipment of all kinds, including motor transport and artillery, anti-aircraft guns and full ammunition supplies. It has been planned to spread these requirements over the next three or four years. We should fill them at once.

At this time I am asking the immediate appropriation by the Congress of a large sum of money for four primary purposes: First, to procure the essential equipment of all kinds for a larger and thoroughly rounded out Army; second, to replace or modernize all old Army and Navy equipment with the latest type of equipment; third, to increase production facilities for everything needed for the Army and Navy for national defense. (We require the ability to turn out quickly infinitely greater supplies.); fourth, to speed up to a twenty-four hour basis all existing Army and Navy contracts and all new contracts to be awarded.

New "Skyrocket" Bomber



Newsweek Photo

Leroy R. Grumman, head of the Grumman Aircraft Engineering Company, has turned over to the U. S. Navy a new-type plane which he has named the "Skyrocket." The plane is two-motored, carrying 1,200 horsepower Wright engines. It allegedly has a speed of 425 miles an hour and is claimed to be the world's speediest. It is constructed to carry at least two heavy guns capable of piercing the new airplane armor, as well as a nest of machine-guns. The guns are fired through the nose of the plane between the two propellers. Mr. Grumman stated that the new plane had been developed as a result of study of recent developments in the European War.

I ask for an immediate appropriation of $896,000,000 divided approximately as follows: One, for the Army, $546,000,000; two, for the Navy and Marine Corps, $250,000,000; three, to the President to provide for emergencies affecting the national security and defense, $100,000,000.

In addition to the above sum I ask for authorizations for the Army, Navy and Marine Corps to make contract obligations in the further sum of $186,000,000, and to the President an additional authorization to make contract obligations for $100,000,000. The total of authorizations is therefore $286,000,000.

It is my belief that a large part of the requested appropriation of $100,000,000 and the requested authorization of $100,000,000 to the President will be used principally for the increase of production of airplanes and aircraft guns and the training of additional personnel for these weapons. This would be in addition to the direct estimates for these proposes in the other items requested.

The proposed details of the appropriations and authorizations asked for will be given to the Committees of the Congress. These estimates do not of course duplicate any item now in the pending War and Navy Appropriations Bills for the year 1941. Nor do they include supplement for defense estimate which may become necessary by reason of pending legislation or shortage of funds under existing programs.

There are some who say that democracy cannot cope with the technique of government developed in recent years by a few countries—by a few countries which deny the freedom which we maintain as essential to our democratic way of life. This I reject. I know that our trained officers and men know more about fighting and the weapons and equipment needed for fighting than any of us laymen, and I have confidence in them. I know that to cope with present dangers we must be strong in heart and hand, strong in our faith, strong in faith in our way of living. I too pray for peace—that the ways of aggression and force may be banished from the earth, but I am determined to face the fact realistically that this nation requires a toughness of moral and physical fiber. Those qualities, I am convinced, the American people hold to a high degree. Our task is plain. The road we must take is clearly indicated. Our defenses must be invulnerable, our security absolute. But our defense as it was yesterday, or even as it is today, does not provide security against potential developments and dangers of the future. Defense cannot be static. Defense must grow and change from day to day. Defense must be dynamic and flexible, an expression of the vital forces of the nation and of its resolute will to meet whatever challenge the future may hold. For these reasons I need hardly assure you that after the adjournment of this session of Congress I will not hesitate to call the Congress into special session if at any time the situation of the national defense requires it. The Congress and the Chief Executive constitute a team where the defense of the land is concerned.

Our ideal, our objective is still peace—peace at home and peace abroad. Nevertheless we stand ready not only to spend millions for defense but to give our service and even our lives for the maintenance of our American liberties. Our security is not a matter of weapons alone. The arm that wields them must be strong, the eye that guides them clear, the will that directs them indomitable. These are characteristics of a free people, a people devoted to the institutions they themselves have built, a people willing to defend a way of life that is precious to them all, a people who put their faith in God.

JAPAN TIGHTENS HER BELT

BY CHESTER S. HOLCOMBE

THE announcement in Tokyo a few days ago that the larger cities in Japan proper have initiated the nation's first actual card rationing system, although at present only affecting sugar and matches, is believed by many observers to be the handwriting on the wall as to the future of Nippon's economic life.

Now approaching the start of its fourth year at war with China, the Imperial Government is faced with terrific odds not alone with Chungking and on the diplomatic fronts of the world, but also keeping the Japanese people fed, clothed and contented at home.

Setback to Plans

During the past six months, Japanese economic plans received a distinct setback. Although the children of the "Son of Heaven" have eaten imported rice before, this winter they got plenty more of it, mixing it in some quarters to as much as 90 per cent imported to 10 per cent domestic rice. Coal also was a major problem on the home front, and "anti-hoarding" drives were inaugurated by the police.

Although Japan's so-called "war boom" seems to be making jobs for everybody, rising prices have made it extremely difficult for the average working man to support his family. Since Nippon's general policy calls for a tremendous volume of exports, "sufu" or substitute has become a popular word among government leaders and an unpopular word among the masses. All kinds of fake materials have been introduced in the past few months which are claimed to be "just as good" as the original, such as using staple fiber material for clothes, and mixing alcohol with gasoline to make it go further.

The Oriental is long-suffering, and the Japanese are no exception to the rule. But even they, at least the influential people in the country, are asking more insistently when, how and at what cost the Army can achieve its announced goal of establishing a "New Order in East Asia." The domestic market is bent under the burden of shortages of cotton, silk, wool, rayon, coal, gasoline, charcoal, paper, leather, rubber, certain kinds of food, metal, matches, electricity, and last and perhaps topping the list, taxes which are mounting by leaps and bounds.

Faces Crucial Test

Modern Japan is facing a crucial test of its vital social structure, the third of three great tests in modern history. The first was the post-Restoration economic revolution, when the nation rebounded from its liberal Meiji Era. The second, the World War, with its burst of prosperity. On the whole, Nippon survived these two fundamentally unchanged. The military drive in China is the latest test, and without doubt the biggest.

The idea that is brought forward in some circles in Tokyo is that the motive actuating Japan in her China campaign is largely economic, and that though the means may be deplorable, the aims are reasonable enough. The history of the last half century spreads much light on this notion.

The general direction of Japanese policy during the past 50 years is evident enough. The Sino-Japanese War of 1895, the Russo-Japanese War of 1905, the Annexation of Korea in 1910, the Twenty-One Demands of 1915, the Manchurian Incident of 1931, the present Sino-Japanese War all form part of one movement, an urge for expansion.

Funds For Dai Nippon's War Chest

Picture shows girl members of Japan's patriotic organizations collecting funds for Japan's war chest on a Tokyo street. Large sums have been garnered in this way since the outbreak of Sino-Japanese hostilities in 1937.

In the general trend, the war of 1914-18 may be regarded as something of an interlude. It helped Japan enormously by bringing her large and easily earned profits. But from the point of view of Japanese policy in general it held some danger. A lot of Japanese entered with considerable zest into the spirit of the era of pacts and internationalism.

Glimpse of Prosperity

At the Washington Conference, H. G. Wells was lyrical in his praise of the genuine international spirit of the Japanese. Another danger was that during the war the Japanese people had a glimpse of prosperity. In the post-war era disagreeable things like trade unions began to appear. The trend did not survive the depression that set in around 1930. Japanese policy resumed its former direction and at a quickened tempo.

The economic aspects of this period were noteworthy. Many commentators on Japanese economic achievements since the Restoration are so overcome by the fact that an Oriental race has been able to adapt machine industry to its used that they sometimes fail to bring out very clearly the most significant features of the process.

As a matter of fact, when the process is examined at all closely, it begins to look rather less amazing than at first glance. After all, the Japanese had attained a pretty high degree of industrial skill prior to that time, they had a fairly elaborate financial system, and they had some experience in large-scale organization.

Political Aims Dominant

What seems the most significant is not the technical aspect, but the fact that it was to such an extent made subservient to political aims. This was made possible by the fact that Japan's economic revolution was accomplished without any fundamental social changes. The position of the mass of the people, more especially the farmers, changed very little. They shared only to a limited extent in the rapidly growing wealth of the country, though some of it inevitably leaked through.

The particular form of business organization which the Japanese stumbled onto was extremely effective. The initial attempt to run industry as a government enterprise was quietly abandoned in favor of handing it over to private entrepreneurs, who in return for concessions and favors of various kinds could be used as organs of official policy.

These fortunate people were in the happy position of being able to satisfy their inclination toward patriotism, power and profits all at the same time. Efficiency was assured by the fact that they were to some extent competing among themselves.

Another result of the economic policy pursued has been the pressure to import, which has brought about a chronic excess of imports over exports. This has been in evidence throughout, but especially so since 1931. This pressure was not due to the need of supplying the people with the necessities of life, in which, as the Japanese are constantly telling us, Japan is to a great extent self-sufficient. It was due to the artificial expansion of heavy industry.

Flood of Cheap Goods

This pressure to import brought about a fall in the exchange and an adverse trend in terms of trade. To satisfy her increased demand for imports, Japan had to effect a more than proportionate increase of exports. This flood of cheap goods, coming on top of the difficulties which were being experienced due to the depression, obliged other countries to take cover. It is important to note that these defensive measures were taken not before but after the Manchurian Incident.

Far from being the cause of the action by Japan, they were to some extent the result of it. Incidentally, it may be seen that, in spite of the alleged persecution, exports continued to advance at a rapid pace right up to 1937.

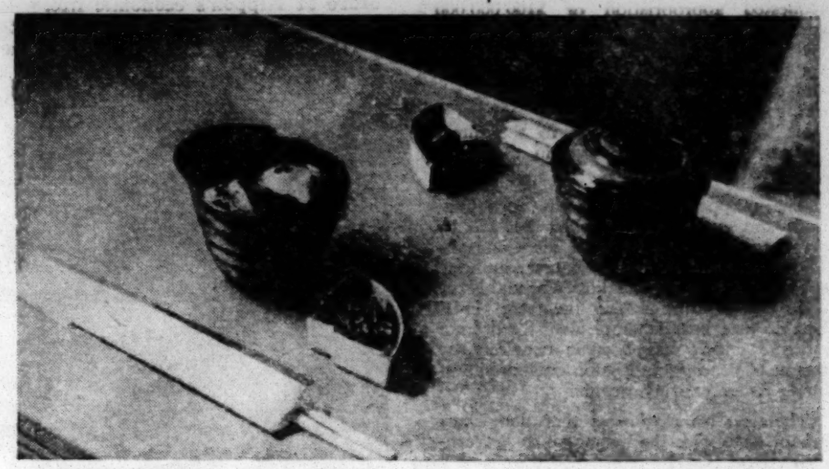
The Japanese take a melancholy pride in regarding themselves as poor propagandists. They have succeeded in putting across pretty well, however, with the disinterested aid of a number of foreign commentators, the notion that back of Japan's policy is urgent economic need, and that Japan was getting along very nicely until economic barriers were raised against her. As a corollary to that idea, it is supposed that if only the trade barriers were broken down there might be a substantial modification of Japan's policy.

Idea of Bloc Economy

The trend of economic thinking in Japan made the Japanese seize with alacrity on the fashionable idea of a bloc economy. It fitted in well with political plans and, if any excuse for it was needed, Japan could point to such developments as the growth of imperial preference in the British, French and Dutch empires, the existence of the large protected areas of the United States and Soviet Russia, and the attempts by Germany and Italy to create for themselves regions of economic influence by various means. It is urged that, in a perilous world, it is necessary to have an assurance of space for the expanding population, assured markets and supplies—in short, precisely those things for which trade concessions are no substitute.

The more philosophical among the Japanese tell one that, although they fully realize the superior advantages of a world economy, they are obliged by economic ends to adapt themselves to conditions as they are. They will tell you also that bloc economy is a step towards a new sort of world economy, and they may, of course, be right.

Thinned Out Diet for Japan's Citizens



Spare diet is on the order of the day in Japan, due to the exigencies of the Sino-Japanese war. Pictured are bowls of hot bean curd, a watery kind of soup that is a common feature of present-day meals in Japan.

What Was Accomplished

Up to the end of 1938, the process of creating an economic bloc in East Asia seemed to be meeting with considerable success. By the end of that year Japan had not only won plenty of military victories, but had kept things going fairly well in Manchoukuo, and had established impressive-looking companies for the development of North and Central China.

In order to achieve this result, she had to place a severe strain on her resources. She had to see her foreign trade falling away. She had to introduce many measures of economic control for the purpose of adapting her economic structure to war demands. But in spite of this, the future looked quite promising.

Japan's economy during last year, 1939, is rather blurred at present. It is possible to arrive at some general conclusions, however, which are probably not very wide of the mark. The main impression is one of stagnation rather than deterioration.

The decline of foreign trade in 1938 led to the introduction of measures designed to expand exports—the link system, the revolving exchange fund, and so forth. The result in 1939 was not very impressive. Exports to countries outside the yen bloc rose by 20 per cent and imports from these countries by 6 per cent.

Imports Stationary

The Yokohama Specie Bank has an index of foreign trade prices which shows a jump in the prices of exports between November, 1938 and September, 1939 of 24 per cent and of imports by 7 per cent. The interesting is the

imports rather than the exports in this connection. It looks very much as though the volume of goods which Japan was able to buy abroad in 1939 remained stationary.

The report that exports again shot up is interesting, although here once more a good deal of the rise is accounted for by increased prices. Consumption goods accounted for a larger part of the exports than formerly. Though more machinery was sent to Manchoukuo, the volume of capital goods going into this area was probably not much increased.

It is significant that the areas of Japanese occupation and influence on the Continent have, according to American sources, become net importers of foodstuffs, so that they have become a drain on Japan's resources. The increase in imports was small and Japan still got only 23 per cent of her total imports from this area. The improvement in trade, then, in spite of all the efforts made to develop it, has been very modest.

Production Figures

Production figures from January to August, 1939, compared with the corresponding period of the previous year, show a rise of 6 per cent in total production, a fall of 2 per cent in consumption of goods, and a rise of 11 per cent in production of goods. This looks fairly good, but in view of the fact that a shortage of power developed last winter, it is probable that the rate of increase did not continue evenly.

Mining increased by 3.6 per cent—pretty poor in view of all the measures taken to bring about an increase; heavy industry by 16.7 per cent; electricity and gas by 8.2 per cent. Textiles dropped by 13.3 per cent, chemicals by 3.2 per cent, and other manufactures by 3.1 per cent.

In spite of adverse weather, reports of agricultural production make a fair showing. The production of rice was practically unchanged, cocoons increased by 15 per cent, wheat by 32 per cent, and barley also increased.

One of the outstanding features of last year was the development of a shortage of ordinary necessities, which made itself felt especially at the first of this year. It is fair to say that the shortage was sufficiently well overcome to cause no serious hardship, but it indicated that there is a limit to the process of turning resources from the production of consumers' goods to the production of war materials and capital goods. The haste with which the Government turned to the job of "stabilizing the living of the masses" and the decision to import foreign rice and coal are instructive.

Realm of State Secrets

In estimating how far production plans are being fulfilled, one enters the extensive realm of state secrets. Capital investments jumped by 30 per cent, but this applies only to projects. At the and of 1938, a three-year plan of productivity expansion was worked out, which started in January, 1939. It applied to metals, machinery, chemicals, pulp, wool and electric power. Little has been heard about this plan recently, but from the odd remarks officials are making now and then about the need for revision it is safe to suppose that it has not been completely fulfilled.

As far as developments on the continent are concerned, the mystery is even deeper. Reliable data are entirely absent but in view of the effects of the war on the foreign trade of Manchoukuo, it is almost certain that the Five-Year Plan is somewhat behind schedule. The difficulties facing the Manchuria Industrial Development Company at the present time are freely admitted.

Japan's Alarmed Leaders

Heading the list of alarmed leaders, fearing the outcome of the Army's continued drive to "keep on" in China regardless of the cost at home, is Prince Fumimaro Konoye, head of the Privy Council and former Premier. He recently warned his countrymen that Japan faces its most difficult year since the Empire's legendary "birth" 2,600 years ago.

Other questionings of Army policy stirred the floor of the Diet in Tokyo this year. War Minister Shunroku Hata countered Diet criticism by appealing to patriotic emotions. In this year, when Japan celebrates an origin believed to have been semi-divine, the War Minister pleaded for national sacrifices to carry forward the "sacred campaign" in China.

Takao Saito, member of the House of Representatives, led the debate, was forced to resign from his party, the Minseito, and was expelled from the Diet for asking the question that seems to be gaining such popularity: "What is the New Order in East Asia, when is it coming, and how much will it cost us?"

The approach of summer and the warm weather is welcome in Japan this year. Leaders now can take stock of things at home and abroad more or less at their leisure, before the problems of the fall come upon them.

Hongkong Bans Imports From Occupied Canton

For reasons undisclosed, the Hongkong Government, by proclamation in the Official Gazette on May 18, banned all imports of cargo from Japanese-occupied Canton, *Domei* reported. The proclamation was issued by the Governor in exercise of powers conferred on him by the Importation and Exportation Ordinance of 1915, it was stated.

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Calm Restored Over Issue of the N.E.I.

International solicitude for the future of the Netherlands East Indies which followed on Germany's invasion of the home country two weeks ago, had returned to a state of calm watchfulness this week with the assurances of all great Powers interested that none would take advantage of Japan by trying to assume military protection of the islands.

Tension eased perceptibly when the Japanese Ambassador to Washington, Mr. Kensuke Horinouchi, told the press following a conference with U.S. Secretary of State Cordell Hull, May 17, that Japan would be satisfied with the *status quo* in the Indies. He added that all Japan wanted was its share of normal trade with the Dutch colonies and as long as that continued, would not be concerned if they sent increased amounts of war materials to the European Allies.

Mr. Hull indicated his agreement with the envoy's statement but had nothing to add to it.

No Reply from Berlin

The United States, Great Britain and France had previously informed Japan of a similar desire for maintenance of the Pacific *status quo*. Germany is the only nation which has so far made no reply to the Japanese note of May 11 asking for a definition of attitude in relation to the Netherlands Pacific possessions.

It now seems unlikely that Japan will make any move to upset the peace of the Pacific on her own initiative. Japan's interest in the Indies has been repeatedly defined by politicians and news organs alike as an economic one.

The Japanese Navy's anxiety over the islands was expressed by Rear-Admiral Masao Kanazawa, who told the press in Tokyo on May 16 that the Navy was concerned as to whether the international non-aggression assurances would be faithfully kept, because, he said, the Indies are second or third ranking supplier of oil to Japan.

While it was learned that several units of the Dutch fleet had left Holland for service in the Netherlands West and East Indies early this week a report that 14 American warships had sailed from their Hawaiian base for an undisclosed destination on May 19 caused only a minor flutter in the Orient.

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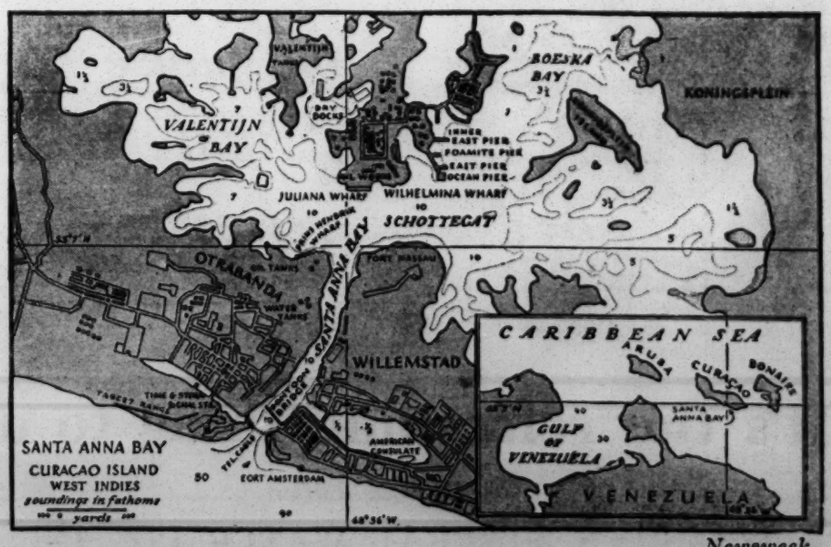
200 Members of S.M.P. to Enter Outside Roads Force

Chinese reports stated this week that 200 Chinese constables of the Shanghai Municipal Police would be transfererd to the new police force which is being created for the Western Outside Roads District in terms of the recent agreement between the Shanghai Municipal Council and Mayor Fu Siao-en's "Special Municipality." The remainder of the force will be drawn from "Special Municipality" Police. The uniform of the new force will be similar to that of the S.M.P., but distinguished by red, white and blue lines on the cap, it was stated.

International Street Scene

Washington Post

Allies Occupy Curacao and Aruba



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Japan also is worried about the Anglo-French action in occupying Dutch islands off Venezuela.

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Currencies of China and Japan Are Linked in Current Fall

By KURT BLOCH

Far Eastern Survey

WHAT has been described dramatically as the "currency war" in China has deteriorated into a curious mixture of hostility and affinity, the core of which is the flood of paper inscribed and stipulated to function as money. Underneath this paper flood, economic life based on exchange of commodities and services continues its course, with domestic and international exchange rates being affected by the relative positions of economic strength as much as by the various rates of speed at which inflation progresses.

In the summers of 1938 and 1939 the weakness of North China's currency, grossly inflated by the Federal Reserve Bank at Peking, led to a subsequent depreciation of the Shanghai dollar. To what extent this relationship was causal and to what extent it was a pure coincidence was difficult to determine at that time. However, since the beginning of this year the sequence in time and the logical succession of events in the Chinese exchange markets have been much closer than in any preceding period.

Influence of Sterling

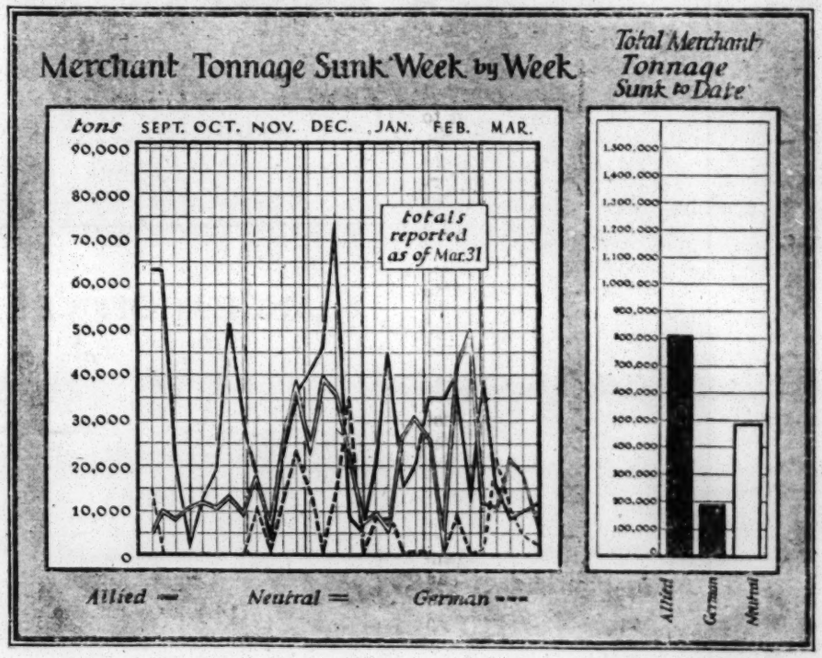
During February and March the national currency of China, that is, the Shanghai dollar, has been subject to a new fit of depreciation of around 20% in terms of American currency, carrying its exchange value from about eight cents in January, 1940 to around six and one-half cents in the middle of March. Part of this depreciation is obviously due to the weakness of the British pound and the currencies linked to it, since more than half of Shanghai's export business is transacted with this vast currency bloc rather than with that of the United States dollar. Shanghai exchange depreciation has exceeded that of free sterling rates, however, and while the gradual process of Chinese currency inflation—at the rate of at least 70 to 80 million Chinese dollars a month—would by itself be sufficient reason for such depreciation, it seems that other factors of domestic exchange have played an important role in recent months.

There may, of course, be objections to defining the relationship between the currencies of Shanghai, North China, Manchuria and—ultimately—of the Japanese Empire as domestic exchange; but the fact remains that there is scarcely a better term available to describe the actual relationship, regardless of legal definitions. The following brief discussion, it is hoped, will bear out the use of the terms domestic exchange for the respective quotations of Tientsin, Tsingtao, Shanghai, Dairen and Tokyo exchange.

Manchoukuo Measures

The weakness of the Shanghai quotations, which began in February, was preceded by a curious and important deterioration in the foreign exchange supply of Manchoukuo. Shortly after the outbreak of war in Europe and the subsequent decline in Manchoukuo exports to countries out-

Additions to Davy Jones' Locker



Newsweek

side the yen bloc, the currency control authorities in Manchoukuo began to modify their method in the issue of exchange permits. While formerly import and exchange permits were issued simultaneously, so that Manchoukuo importers could pay cash with their orders abroad, import permits were issued together with exchange permits valid only 6 to 24 months after the actual importation of goods; in other words, import permits could not be utilized at once, or the foreign exporter had to grant credit to the Manchoukuo importer for the intervening period. As this way of securing foreign goods did not seem to work satisfactorily the Manchoukuo authorities began, at the end of November, to try another approach to their foreign exchange problems. Import permits were issued with the stipulation that purchases be made through the medium of the North China Federal Reserve Bank notes, the idea being that payments abroad might be made via these notes and their conversion into Shanghai dollars and into foreign exchange.

This transaction which, on paper, seems rather complicated, is bound to have important effects in Manchuria, North China and Shanghai. In Manchuria it means, of course, that foreign goods are being purchased at prices based upon an exchange rate for the Manchoukuo yuan which is lower by the amount of commissions, fees, etc., than the Shanghai rates of foreign exchange. In other words, while theoretically the relationship between the Manchukuo yuan and the Shanghai dollar is equal to more than 3:1, according to the official United States dollar parity of the Japanese yen and the Manchoukuo yuan, the actual relationship works out as less than 1:1.

A Logical Result

In North China this new Manchukuo procedure was bound to lead to an increased demand for Shanghai dollars on the one hand, and to an increased supply of Federal Reserve currency offered for Shanghai dollars on the other. The result, logical and historical, was a fall in the exchange rate between the Shanghai dollar and the Federal Reserve yuan. The coincidence in time was, indeed, surprising. Having been quoted at a premium above the Shanghai dollar since October 1939, the Federal Reserve notes began to depreciate early in December; by the middle of January they fell below the Shanghai dollar; and by the middle of February the premium of the Shanghai dollar, in exchange with the Federal Reserve yuan, approached 20%.

This movement of the Shanghai-Tientsin exchange was not, however, due exclusively to the influence of the Manchoukuo exchange transactions. The strength of the Tientsin dollar in the fall and early winter of 1939 was partly due to seasonal influences and to opium exports to Shanghai, while its weakness in recent weeks is due to seasonal influences operating the other way. The main seasonal factor in the Tientsin-Shanghai operations would seem to be the Tientsin demand for Shanghai flour. Shortly after the harvest, in the fall of 1939, that demand was comparatively small. Early in 1940, on the other hand,

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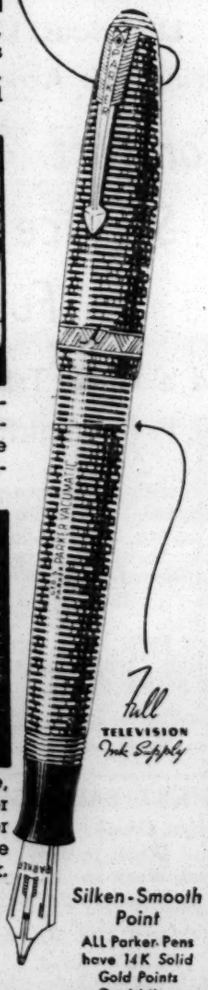

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with famine conditions extending from the countryside to the cities of North China, the Tientsin demand for Shanghai flour increased. While the interruption of the flour demand was reflected in comparatively favorable rates for the Tientsin currency, the revival in 1940 resulted in the depreciation of the Federal Reserve yuan.

The Opium Trade

More one-sided but scarcely less important for the strength of Tientsin currency in the fall of 1939, has been the opium trade. It is unfortunately in the nature of these operations that they take place in secrecy far away from the indiscretion of official statistics. However, according to trade reports evidently to be trusted, considerable quantities of opium sold via Tientsin to Shanghai for further distribution in central and south China, have contributed to the comparative strength of the Tientsin dollar. These reports, moreover, are confirmed by the frank admission that nearly one third of the exports from the new Japanese-sponsored Federated State of Inner Mongolia consists of opium, and that a very large part of the revenue of this government is derived from consumption and export taxation of opium. Evidently the strength imparted to the Federal Reserve currency by the Tientsin opium trade has not been sufficient to offset the Manchoukuo demand for Shanghai exchange and the North China demand for Shanghai flour. Also it seems as though the demand for flour has been more recently supplemented in its effect on the Shanghai exchange by Tsingtao and Tientsin purchases of raw cotton for their textile mills, deprived of their natural raw material supplies by the failure of the North China cotton crop.

Pressure on Dollar

As Shanghai dollars were sold to purchase foreign wheat for flour to be shipped to North China, as they were sold to pay for foreign cotton transshipped to North China, and as they were sold to cover foreign exchange purchases to pay for goods shipped to Manchoukuo, there arose quite naturally a strong pressure on the Shanghai dollar which resulted in a decline of the latter's value. This decline in turn accentuated the decline of the exchange value of Manchoukuo and North China yuan. While a short time ago Japanese financial authorities were still able to speak of a 6 to 7 pence exchange value of the Federal Reserve yuan, this yuan has now declined below 3 pence, and through the link of Manchoukuo's new foreign exchange policy the Manchoukuo yuan is tied to the Federal Reserve yuan rather than to its theoretical yen parity.

These movements of the subsidiary currencies of the yen bloc cannot, however, fail to affect the value of the yen itself. The high price of foreign import goods in Manchoukuo will attract competitive Japanese goods to that country until they are as expensive as the foreign goods. The tremendous volume of so-called illegal transactions in Japan (in 1939 more than 200,000 such transactions came to the attention of the Japanese

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authorities) would seem to admit the conclusion that the attraction of Manchoukuo for Japanese goods will be stronger than any export prohibitions. Accordingly the Manchoukuo 3 pence price level will affect the Japanese price level, bringing about a continuous rise in Japanese prices until the attraction of Manchoukuo has been overcome. Moreover, as the control, at least of Japanese enterprises, is much less strict in Manchoukuo than in Japan, and the inflationary boom pervading the whole yen bloc is more pronounced and meeting with less obstruction there than at home, the tendency for Japanese enterprises to migrate to Manchoukuo will also continue strong. Already a member of the Japanese Diet has described this movement as a flight of Japanese enterprise to Manchoukuo.

In addition, Manchoukuo yuan are circulating in Korea at par with Bank of Chosen yen notes. Thus, still more directly, the Manchoukuo currency depreciation affects the Japanese yen within the bounds of the empire proper, not to mention the natural parity of yen and Manchoukuo yuan in Dairen where both currencies circulate at par.

Mighty Flow of Paper

Taking these interrelations between the various Chinese and Japanese currencies into consideration, it is evident that the various methods practiced in the Far Eastern war ultimately combine to lead to a mighty flow of one great flood of paper money, with the standard of international valuation supplied by the Shanghai exchange market—the various yen currencies fluctuating, in their external values, closely around the level of the Shanghai currency, and their price being determined by the premiums and discounts quoted respectively for the Federal Reserve yuan.

There is, however, one worth-while exception to that general rule. The issue of yen and military yen circulating in Shanghai and its hinterland seems to be quoted constantly at a premium above the Shanghai dollar. It would appear that this is mainly the result of the exceptional, though illegal, demand resulting from a Shanghai-Japan and Japan-Shanghai transfer which, through the medium of fictitious yen quotations, is yielding sizeable profits to those Japanese civilians and military men who are able to engage in this line of business. In other words, within the yen bloc itself, this special currency is an outstanding instance of comparative safety, though only to the degree that its speculative backing tends to prevent it from slipping below parity with the declining Shanghai dollar.

Fapi Firming Up on Local Exchange Mart

Showing considerable recovery from its catastrophic fall at the beginning of the present month, the Chinese dollar had firmed up early this week to a point at which it was being quoted at a rate fluctuating around $17.50 to one U.S. dollar. At the lowest point reached in the recent decline, it had dropped to a quotation of 23 to one.

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War Repercussions Are Discussed Here

Rear-Admiral M. Takeda, commander-in-chief of the Japanese Special Naval Landing Party, in his capacity as senior commander of foreign defense forces in Shanghai, conferred on Monday of this week with the commanders of British, French, American and Italian forces here and explained Japan's views in connection with "measures to prevent threatened repercussions of the European war in the Orient, especially in Shanghai where the belligerent Powers have garrison forces."

This followed a similar meeting May 7, convened by Admiral Thomas C. Hart, commander-in-chief of the United States Asiatic Fleet. An Official communique on this meeting, issued by Admiral Hart and published late last week, stated that the meeting was of an "exploratory" character and that all commanders had "readily agreed, insofar as their authority extended, to maintain the peaceful *status quo* in the event of a further extension of the hostilities in Europe which affected their nations" and that similar agreements had been reached among foreign commanders in North China.

The *Tairiku Shimpo*, local Japanese Army organ, pointed out last week that a delicate situation would arise in Shanghai if Italy entered the European war on Germany's side, since Italy has armed forces here which hold a defense sector near those occupied by British and French forces, and serious incidents might occur.

Japanese Reopen Hotel Taken from Private Owner

The well known Lakeview Hotel at Hangchow, which was owned and operated by Ginarn Lao, well known American returned student, prior to the Japanese occupation of the capital of Chekiang, has been reopened by the Japanese who are now operating the hostelry. According to *Domei* the Lakeview has been "taken over" by the Central China Railway Company, organ of the Japanese Army. On Sunday, Monday and Tuesday of this week, Makoto Den, vice-president of the railway company, staged a free entertainment and open house at the hotel for Japanese army officers, Shanghai newspapermen and prominent residents of Hangchow. One hundred Japanese army officers attended the function. Ginarn Lao constructed the Lakeview Hotel, one of the best known hotels in China, on land owned by his late father, Lo King Kee, long a merchant and compradore in Shanghai. The land was located on the shore of West Lake, and provided one of the best scenic views of the famous Chinese resort. Mr. Lao was forced to abandon his property at the time of the Japanese occupation.

Chinese Girl Rented To Shanghai Brothel

Hia Keng-pao and three accomplices, Tsu Zing-sz, Koo Tse-min and Hwa Wong-sz, were charged in First Special District Court on May 20 with "renting" a 13-year-old Chinese girl, niece of Hia Keng-pao, to a brothel for the sum of $400. It was alleged that the uncle had called at the New World Amusement Resort where the girl was employed and had taken her to the brothel where he arranged the deal and received the money. The girl was later discovered by her mother walking the street in front of the Wing On Department Store. It was charged in Court that Hia had been involved in similar affairs previously, having "mortgaged" several girls to the Yangtsze Hotel for immoral purposes.

American Sailor is Mentioned in Court

The name of Pat Kimbley, American sailor on the U.S.S. Marblehead at Manila, was mentioned in connection with a curious case in the First Special District Court on May 10. Miss Yang Pei-ling, a Chinese taxi-dancer, brought an action against her former room mate Miss Yang Mei-lee, charging that she had opened a letter belonging to her and had abstracted American banknotes amounting to U.S.$36. Miss Yang-Pei-ling alleged the notes had been sent to her by Kimbley to pay her hospital expenses in connection with the birth of a child, but the letter was stolen by her room mate. The loss was not known until Miss Yang allegedly had written to Kimbley again asking for money.

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Governor of Hongkong Departs for England

Sir Geoffrey Northcote, Governor of Hongkong, departed from the Colony on the morning of May 19 en route to England via Ceylon for a short vacation, according to *Domei*. He left on a vessel of undisclosed identity, accompanied by Lady Northcote, the report said, adding that he would be joined at Singapore by Sir Thomas Whitelegge Thomas, Governor of British Malaya, who is also proceeding to England.

Eight Millions for Reconstruction in Peiping

The Directorate-General of Reconstruction of the North China Political Affairs Commission, a Japanese military organ, has announced plans for the expenditure of $8,000,000 on reconstruction work in Peiping this year. The report claimed that large sums would also be expended on reconstruction in other chief cities of north China such as Taiyuan, Shihchiachwang, Tientsin, Tsinan and Hsuchow. Expenditures in Tientsin will amount to $250,000, chiefly for street repairs, bridges and a sewage system, stated the report. The report did not state what kind of currency would be used.

Deportation of Bridges Raised Once More

Harry Bridges, Australian-born labor leader and organizer of maritime strikes on the U.S. West Coast, may be deported from the United States, according to *United Press* report from Washington on May 16. The House Immigration Committee recommended that a special bill be passed covering Bridges' deportation. Congressman Leonard Allen (Democrat from Louisiana) author of the bill, charged that Bridges was a Communist, hence should be deported. Bridges was tried by the Federal Government last year on a charge of being a foreign communist, but the case was dismissed for lack of definite proof that he was receiving orders from Moscow.

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Four Chinese Nurses Killed in Air Raid

Four Chinese nurses were killed and several doctors and staff assistants wounded when Japanese planes bombed the Central Hospital, located outside the south gate of Kweiyang, capital of Kweichow province on May 1. Eight planes took part in the raid and scored two direct hits on the hospital, destroying the dining room and operating room. Among the nurses killed was Miss Wang Chung-hua, head nurse, who previously was on the staff of the Central Hospital at Nanking. Despite the wreckage and destruction the staff succeeded in removing 100 patients from the Kweiyang Hospital. Funeral services for the four nurses were held on May 12.

Russian Kills American Sailor and Sweetheart

Vladimir Rybakoff, 25-year-old unemployed Russian jewellery shop assistant, broke into a room in a Russian boarding house located at No. 7, Lane 256 Avenue Dubail, on May 16, and killed Edward George O'Donnell, 36-year-old American sailor and Miss Valentina Edogorova, a 22-year-old Russian bar-maid, employed at the Green Hall Bar on Avenue Joffre. Rybakoff then shot and killed himself. An inquest into the death of O'Donnell was held by U. S. Court Commissioner N. E. Lurton at the U. S. Court on May 16. The verdict was that O'Donnell had been shot and killed by the Russian.

Chinese Post Office Estimates War Losses

The Chinese Post Office lost more than Ch.$35,000,000 from the beginning of the Sino-Japanese hostilities in 1937 to the end of June, 1939, according to report of the Ministry of Communications at Chungking on May 18. Itemized losses were revenues $29,000,000; stolen stamps or destroyed by fire, $3,800,000; 49 buildings damaged $690,000; lost equipment $430,000, including 300 trucks, and $1,900,000 expended for evacuation of employees from war zones. 151 postmen were killed by Japanese bombs and bullets.

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Outstanding Events in the Sino-Japanese War A DAY-TO-DAY SUMMARY

First installment of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts appeared in the September 11th (1937) issue of The Review.

April 18

Urging America to cease supplying Japan with vital war materials, the "Three Soong Sisters," Madame Sun Yat-sen, Madame Chiang Kai-shek and Madame H. H. Kung, made a joint broadcast to America over Chungking's international station. The three noted Chinese women reiterated China's determination to "fight until the last Japanese soldier is driven from China."

Furious battle fought between Chinese guerrillas and Japanese troops on April 15 and 16 near Tsingpo, west of Shanghai. Units of the New Fourth Army aided the guerrillas in the battle which resulted in a Chinese victory. Casualties estimated at about 50 on each side.

The United States, by selling iron and oil to Japan, is helping that country conquer China, and this in time will make Japan independent of America, the Chungking **Ta Kung Pao** said in an editorial. The journal urged the United States to cease aiding the Japanese.

A total of US$1,200,000 or £300,000 is needed to finance this year's relief work in China, according to a statement issued by the war relief committee of the National Christian Council.

Gen. Nobuyuki Abe, Japanese ambassador to the Wang Ching-wei regime in Nanking, sailed from Kobe for China.

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**

April 19

Chungking reported to have protested to the British Government against the proposed settlement of the Tientsin silver question on which Britain and Japan were understood to have reached a provisional agreement, according to reports from London.

The Japanese blockade of the British and French Concessions in Tientsin started in June last year may soon be lifted, **Domei** reported.

Chungking report stated the Chinese people have more confidence than ever in their Government and China will emerge victorious in the conflict with Japan according to Dr. Paul Monroe, noted American educator who is now visiting Chungking. Dr. Monroe made a short wave radio address to America this morning. Dr. Monroe called on Gen. and Madame Chiang Kai-shek.

The total value of factories removed to Szechwan from Japanese-occupied areas since the outbreak of hostilities is estimated at $200,000,000 according to Yen Yueh-chiu, chairman of the Association of Evacuated Factories in Szechwan.

The Garrison Headquarters at Chungking has announced a cash reward of $100,000 for information leading to the arrest of Japanese agents and seizure of their wireless sets.

*
**

April 20

Efforts of the Japanese troops to occupy Maotsintu, the ferry crossing on the Yellow River in southern Shansi, has so far been unsuccessful. Since April 18 the Chinese defenders have been successfully holding off a Japanese force of 4,000 strong which is attempting to establish a foothold on the Yellow River, according to Chinese field dispatches. Japanese bombers active in bombing Chinese postions at the crossing.

April 21

Launching their attack on the night of April 19, Chinese forces yesterday morning captured Sishan and Washoukung, two important points in the western suburbs of Nanchang, capital of Kiangsi, according to Chinese military spokesman in Chungking. Chinese forces in Hupeh reported converging on Hankow from three directions, the spokesman added.

Japanese lost 2,000 troops in their eleventh unsuccessful but violent attack against Chinese positions on the Chungtiaoshan mountain range in Shansi the Chinese military spokesman said today. The Japanese attack collapsed April 18, with the Japanese fleeing toward their base, he said.

Eighty-five Japanese warships reported holding largescale naval maneuvers in the South China Sea. The ships allegedly were paying particular attention to the movement of British and American naval craft, Chinese reports stated.

The Japanese military authorities in Canton reopened the Pearl River to general traffic, but the former restrictions allowing only one British ship to pass up the river each week, remained in force. Hongkong shipping circles view the reopening of the river as an "empty gesture."

K. P. Chen, head of the Chinese Financial and Purchasing Mission to the United States, yesterday paid a farewell visit to Secretary of State Cordell Hull, accompanied by the Chinese Ambassador Dr. Hu Shih. Mr. Chen is returning to China shortly.

*
**

April 22

Fifty-four Japanese planes bombed the suburbs and nearby cities of Chungking, including Liangshan, Changchow, and Nanchuan. Details of casualties and damages not yet available.

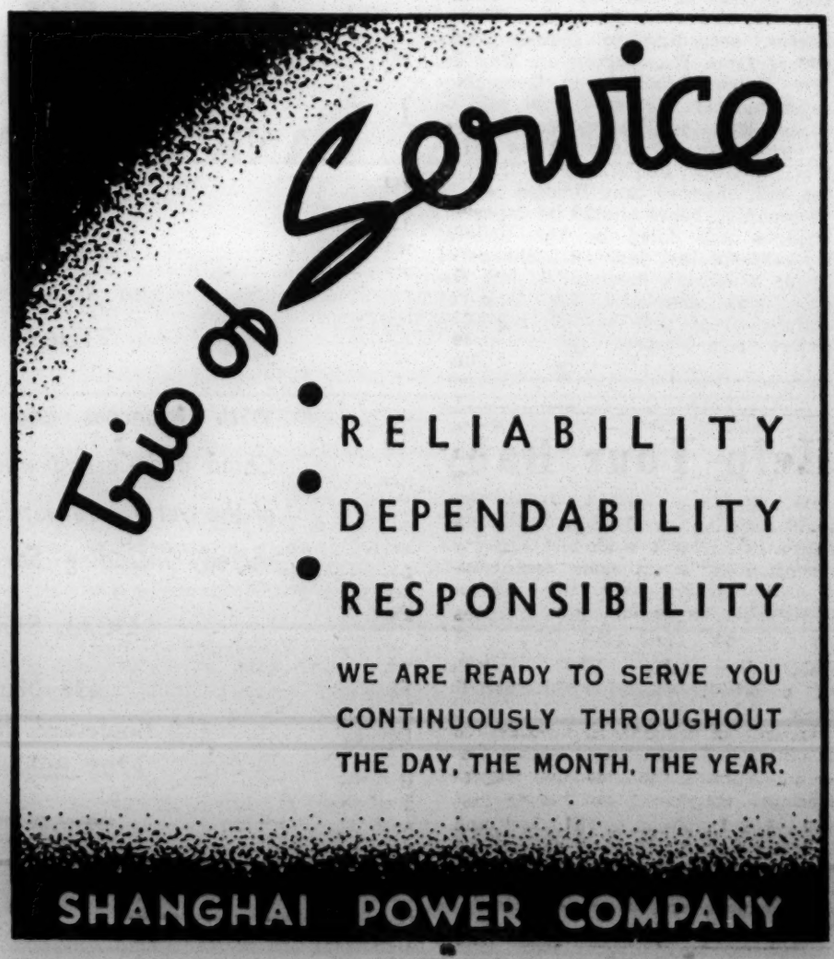
Japanese press spokesman in Shanghai denied Chinese reports of victories and the withdrawal of Japanese troops in the Nanchang area. He admitted that a "certain redistribution" of forces had taken place.

Gen. Nobuyuki Abe, former Japanese premier, is merely an "envoy extraordinary" to the Wang Ching-wei regime and should not be termed an ambassador, the Japanese embassy spokesman in Shanghai pointed out. Gen. Abe left Kobe for China on April 18 and his movements since have been kept secret. He was reported to have passed Shanghai yesterday en route to Nanking on board a Japanese vessel which was not scheduled to stop at Shanghai.

*
**

April 23

Chinese troops this morning entered Nanchang, capital of Kiangsi, and engaged the Japanese garrison in street fighting. Numerous Japanese offices and depots in the city were destroyed by fire. Chinese and Japanese forces also engaged in bitter combat in the suburbs of Kaifeng, Honan capital, according to Chinese military reports received in Chungking.



Suifu, 140 miles southwest of Chungking, bombed by Japanese planes causing more than 100 casualties; city was raided at night.

Rear-Admiral Joseph K. Taussig, commandant of the U.S. Fifth Naval District, yesterday told the Senate Naval Affairs Committee he believed a United States-Japanese war inevitable. Navy Secretary, Charles Edison, disagreed with the statement and disclaimed the Navy's responsibility for it, saying that it merely represented the personal views of Rear-Admiral Taussig.

The Japanese report that an eight-point demand had been served by the Chinese Communists on Gen. Chiang Kai-shek through Madame Sun Yat-sen was denied by Madame Sun and government official quarters in Chungking. The Communists according to the report demanded among other thing the removal from office of Finance Minister Dr. H. H. Kung, War Minister Ho Ying-chin and Education Minister Chen Li-fu. Negotiations for a readjustment of the differences between the Government and the Communists were claimed to be proceeding smoothly.

Gen. Nobuyuki Abe, Japan's special envoy to the Wang Ching-wei regime, arrived in Nanking. Ostensibly coming for the purpose of offering the Japanese Government's congratulations to Wang Ching-wei on the establishment of his puppet regime, Gen. Abe's real mission is to negotiate a treaty with Wang legalizing Japan's conquests in China.

Shortly after arrival Gen. Abe addressed a message to the Chinese nation, saying that "in China today, we find a reorganized National Government back in its capital at Nanking, striving towards the establishment of a new order in East Asia, befriending Japan and cooperating with Japan."

Miss Agnes Smedley, noted American writer who, for the past 18 months, travelled with Chinese guerrilla troops in central China, told the United Press in Chungking today that Japan could never control the occupied areas of China, "let alone conquer all of China."

Lace Workers, Coolies Win in Strike Actions

Some 700 women workers of the China Lace Factory, 154 Canton Road in Shanghai, returned to work last Sunday after a one-day strike which won them wage increases. The management agreed to a 10 per cent increase in the case of those whose piece-work output falls below a value of $15 daily, with a special allowance of $5 for workers exceeding the $15 mark. The workers walked out of the factory on Saturday afternoon and then demonstrated outside the premises, causing a sizeable traffic jam in the narrow thoroughfare. Direct negotiations resulted from police intervention and a settlement was arrived at the following day. The China Lace Factory has among its employees scores of children around 10 years of age. It does a large export business, having customers in various parts of the world.

Coolies—about 2,500 in number—in the employ of the Public Works Department of the International Settlement also won a strike victory last week, after tying up the sanitary and road cleaning services for more than two days. The P.W.D. agreed to increase their pay by 18 cents a day and the strike was called off on May 17.

Who's Who in China

T. Y. Fong, school principal; born at Huchow, Chekiang, June 12, 1901; B. A. University of Shanghai, 1920, majoring in education and sociology;

三省宇源同方

T. Y. Fong (Fang Tung-yuen)

dean of Wayland Academy, Hangchow, 1920-27; principal of the Chusan Middle School, Tinghai, Chekiang, since 1928; he is planning to leave for the United States in August next to study at Crozer Theological Seminary, Chester, Pennsylvania; address: 26 Yuen Yuen Lee, Route T. de la Tour, Shanghai.

Nippon Shops in Lima Looted by Rioters

A flare-up in the relations between Japan and the South American republic of Peru, resulting from anti-Japanese demonstrations in Lima in which 400 Japanese shops and homes were reported to have been plundered, appeared to have died down at the beginning of this week, according to a *Domei* report from the Peruvian capital.

The rioting broke out on May 13 with extraordinary suddenness, causing the Japanese press to assert that it was in some sinister manner connected with "the interests of third Powers" who were endeavoring to embarrass the present Peruvian government, which is credited with being pro-Japanese in its policies. There are about 23,000 Japanese residing in Peru.

A vigorous protest against the riots was lodged with the government of Peru by Hachiro Arita, Japanese Foreign Minister, through Carlos Porras, Peruvian charge d'affaires in Tokyo. It is also reported that Hitoshi Sato, Japanese charge d'affaires at Lima, is negotiating with the Peruvian Foreign Office regarding compensation for Japanese subjects who suffered damage in the riots. A report early this week said that one Japanese had been killed and 12 injured in the rioting.

In the United States Court for China

WILLIAM BENJAMIN GANCI, *Plaintiff,* vs. RUTH IRENE WATKINS GANCI, *Defendant.*	Cause No. 4487 Civil No. 2366 ORDER Filed at Shanghai, China, May 21st, 1940 WILLIAM T. COLLINS *Clerk.*

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by his attorneys, Messrs. Rodger & Wiener, has this 21st day of May, 1940, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 21st day of May, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court;" and

WHEREAS, it appears from the files in this case that on the 21st day of May, 1940, the plaintiff herein filed an Affidavit to the effect that the defendant does not reside in China, nor has she resided in China for the past five years, and that defendant's last known address was 262 South Poplar Street, Hazleton, Pennsylvania, United States of America.

NOW, THEREFORE, it is this 21st day of May, 1940, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

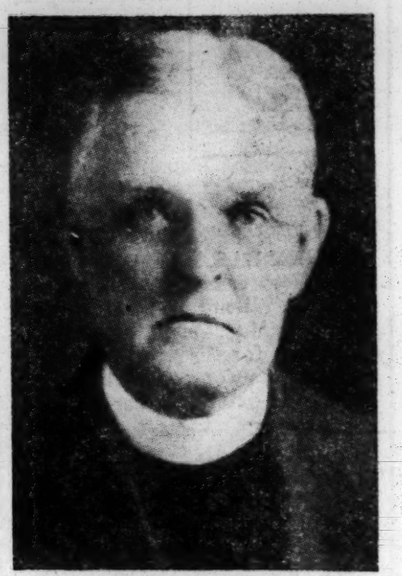
IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 8th day of June, 1940, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

By the Court,

MILTON J. HELMICK
Judge.

Men and Events

Bishop F. R. Graves, D. D., one of the oldest and best known foreign residents of China, died at his residence at St. John's University on Friday, May 17. Funeral services were held at St. John's Pro-Cathedral on Tuesday, May 21, with interment at Bubbling Well Cemetery. Bishop Graves was born at Auburn, N. Y.,



Bishop F. R. Graves

Oct. 24, 1858 and studied at Hobart College, Geneva, N.Y., and the General Theological Seminary of the Episcopal Church in New York City. He came to China in 1881 and first was stationed at the Theological School in Wuchang. With the exception of two years, 1885-1887, which he spent in Shanghai, all his missionary work was in Central China. He was consecrated Bishop of Shanghai, with jurisdiction in the Lower Yangtsze Valley, on June 14, 1893, the ceremonies being held at St. Thomas' Church, N. Y. He resided for some time at Hankow, but later came to Shanghai. He was awarded two honorary degrees by General Theological Seminary and another by Oxford University in 1908. He was interested in the establishment of the Chinese branch of the Anglican Communion and was deeply concerned with the development of St. John's University. Bishop Graves was married on Jan. 27, 1883 to Miss Josephine H. Roberts, who died in Los Angeles April 8, 1926. He is survived by three daughters who are connected with mission work in China and a son, who is a practicing lawyer in New York. Owing to a breakdown in health an assistant, Bishop John W. Nichols, D. D., was consecrated on Nov. 1, 1934. Bishop Nichols was forced to resign due to ill-health and Bishop Graves resumed his work. He celebrated his 80th birthday on Oct. 24, 1938.

*

The American Red Cross, on May 17, appropriated the sum of US$100,000 for relief of Belgian and Dutch refugees in France, according to *Havas* message from Paris.

Major-General A. E. Grasset, Commander-in-Chief of British military forces in China, who has been in Hongkong for some time, arrived in Shanghai this week on an inspection trip.

*

Juan T. Trippe, president of Pan-American Airways, announced at Miami on May 17 that a daily service to Hawaii and New Zealand would be started next summer. He said that six daily services to Europe also would be started in 1941.

*

Dean M. Lyle Spencer of the School of Journalism, Syracuse University, has accepted appointment as a member of the faculty of the Tokyo Oriental Culture Summer College, for the 1940 season. Dean Spencer will deliver a series of lectures on American journalism.

*

Four Chinese nurses received degrees at the graduation exercises on May 11 at the Wuhu General Hospital Nursing School, a mission institution. The graduation address was delivered by the Rev. Li Chow-wu of the Wuhu Christian Church. The graduates also received certificates from the Nurses Association of China. The four graduates were the only ones of a class of 24 which was enrolled at the outbreak of Sino-Japanese hostilities. Other members of the class fled at the time of the occupation of Wuhu by the Japanese, but those who received degrees on May 11 remained and assisted the faculty of the hospital in caring for refugees.

The German *Transocean* news service and the American *United Press* are the only foreign news services which have appointed correspondents in Nanking. The *U. P.* correspondent in Nanking is Emery Ann.

*

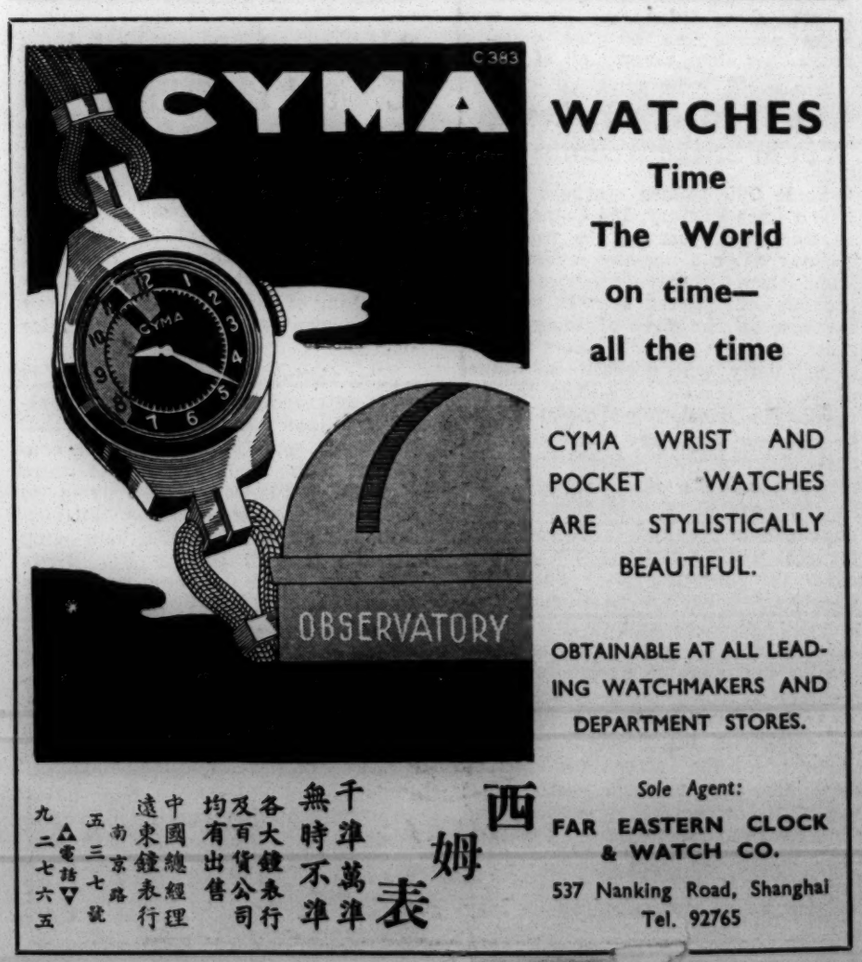
The E. D. Sassoon Banking Company, Ltd., on May 18 contributed the sum of Ch.$25,000 to the Netherlands Red Cross. The gift was received and appreciation expressed by G. W. Boissevain, Netherlands Consul-General.

*

Chinese coolies, chiefly from Shantung province, are pouring into Manchuria again at the rate of 10,000 daily, according to *Reuter* report from Hsinking on May 15. It was stated that 15,000 had arrived at Dairen by rail and boat in one day. The Japanese claimed that 1,000,000 coolies had entered Manchuria in 1939. The coolies will be employed in seasonal labor and on development projects.

*

A French soldier, M. Ange Tirroloni, attached to the French forces in Shanghai, brought an action in the Second Special District Court on May 18, against a Chinese dentist named Bang Zue-ling, charging that a set of 12 gold teeth which he had purchased from the dentist was not composed of gold. The French soldier said he had the teeth examined by an expert who pronounced them a mixture of copper and another metal. The Court found the dentist guilty and gave him a sentence of five months' imprisonment, which was suspended for three years.



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Madame Wang King Kee, wife of the Chinese Minister to Poland, and her daughter, were slightly wounded by a bomb from a German plane which was dropped near the Minister's private car while travelling on the road from Brussels to Paris, according to *Havas* report from Paris on May 17. The Minister was unhurt but the chauffeur and a Chinese servant who were in the car were believed to have been killed.

*

Flight-Lieut. R. M. Noblston, youngest son of Mr. and Mrs. R. M. Noblston, former residents of Shanghai, but now residents of Bournemouth, England, was killed while on active service. His name was included in the Roll of Honor issued on March 26. Young Noblston attended the Shanghai Municipal School for Boys and was awarded the Peace Memorial Scholarship when he was 16 years old. He returned to England to enter the University of London.

*

Miss Julia M. Wasson, connected with McTyeire High School for girls for 35 years, will retire at the end of the present term and will return to the United States. The alumni and members of the faculty held a meeting in her honor on May 18 and presented her with a blackwood table set. The presentation was made by Miss V. P. Sze, one of the first graduates of the school. Miss Wasson is planning to depart for the U.S. on July 2.

*

Chinese students in the Shanghai Middle School went on strike and staged a demonstration against several teachers in the institution who allegedly have joined the Wang Ching-wei regime in Nanking. The students also demonstrated against Chen Che-chen, owner of the school buildings, who allegedly has accepted an office with the Wang regime. The students claimed that the National Government at Chungking had issued a circular accusing Mr. Chen of disloyalty. When the situation at the school became serious on Friday, May 17, the principal, K. H. Ling, delivered an address and induced the students to cease their demonstrations, but the school has since remained closed. The students organized a "School Support Committee," for the purpose of watching certain members of the faculty who are suspected of having relations with the Nanking regime. The gates of the school have been locked to all visitors.

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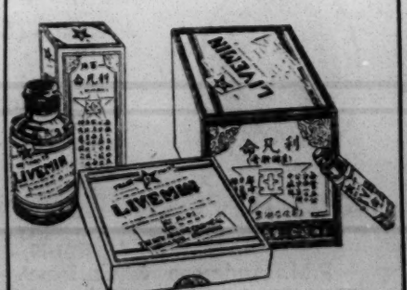

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The Municipal Council of the French Concession at Shanghai has voted unanimously to invest surplus funds in French francs to the amount of 5,000,000, according to report on May 18. The money will be forwarded immediately to the French Finance Minister at Paris. The report stated that the action here was inspired by similar action by numerous French cities and villages which had invested all their available funds in French Armament Bonds.

•

Eight republics of North and South America have signed a convention for the creation of an Inter-American Credit Bank, the countries which have signed including Colombia, Dominican Republic, Ecuador, Mexico, Nicaragua, Bolivia, Paraguay and United States. According to announcement from Washington on May 11, the new bank, authorized at the Pan-American Conference, will now be organized. The bank will have a capital of US$100,000,000.

•

The Shanghai *Mainichi* recently published a report claiming that the Japanese population in Shanghai now exceeds 70,000. In the month of March 2,165 Japanese arrived here from Japan, according to figures compiled by the Japanese Consulate-General. The number of babies born in the Japanese community in March was 102, while the number of persons who died was only 40. Some 200 returned to Japan or went elsewhere, leaving the net gain for the month 2,027.

•

Wilber Judd, Executive Secretary of the Navy Y.M.C.A., who has been in China for several years, will return to the United States next fall to become secretary of the Newport, Rhode Island Navy Y.M.C.A. Mr. and Mrs. Judd are now at the Navy Y. station at Chefoo where they will remain for the summer. A. Q. Adamson, previously stationed in Shanghai, will return shortly to become secretary of the Navy Y. at Hankow. H. W. Gibson, now at Hankow, will return to the United States after 12 years in China and the Philippines. J. C. Greiner, now secretary at Newport, R. I., will arrive in Shanghai this summer to become activities secretary here. E. G. Simons, secretary at Peiping, is also returning to U.S.A. shortly. B. W. Smith, present activities secretary here, will also return to U.S. in a few months and W. A. Hathaway, who has been with the U.S. Destroyer Squadron, has returned to China from furlough.

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In the United States Court for China

JOHN FRANCIS McMUNN, Plaintiff, vs. NATHALIE ARTCHEGOFF McMUNN, Defendant.	Cause No. 4483 Civil No. 2362 *ORDER* Filed at Shanghai, China May 7, 1940. WILLIAM T. COLLINS Clerk

The object of this suit is an action for divorce.

WHEREAS, plaintiff herein, by his attorneys, Messrs. Rodger & Wiener, has this 7th day of May, 1940, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 7th day of May, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 7th day of May, 1940, the plaintiff herein filed an Affidavit to the effect that the defendant does not now reside in China, nor has she resided therein since the 30th day of October, 1939, and that defendant's last known address was c/o Mrs. L. Nassanova, 502, North Minor Street, Seattle, Washington, U.S.A.

NOW, THEREFORE, it is this 7th day of May, 1940, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause her appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 25th day of May, 1940, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

By the Court:
Dated at Shanghai, China,
this 7th day of May, 1940.

MILTON J. HELMICK,
Judge.

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New Books of Interest in the Far East

Chit-Signers, etc

CHINA COAST BALLADS—By Shamus A'Rabbitt. Illustrations By Sapajou. Published at Shanghai by A. R. Hager, 1938. 125 pages, cloth.

This is a second book of poems by Shamus A'Rabbitt which evoke memories of China experiences and carry the flavor of "this land of the

Sapajou

lotus and wild money." The innocent in the East, the resolutions of the chit-signer, the servant problem and the fate of social climbers all come in for proper or improper sympathy. The life of the European in China is the subject for gentle satire. The sequence of poems on the subject of

Sapajou

leaving China catches the various moods which most certainly arise.

One wishes for more poems with pidgin English, in which language Mr. A'Rabbitt is most expressive:

Missie Bubbling Well
In Hop Sing's shop-
"Wanchee one piecee meat
No wanchee grizzle
No wanchee fat
No wanchee skin—"
Hop Sing talkee-
"Missy me thinkee
More better you catchee
One piecee egg."

The Sapajou drawings are a delight; particularly so is the end-paper map of The Fair Pacific, "Sans Rain, Heat, Insects, Smells, Fevers, Chits and Other Discomforts."

F. M. R.

New Children's Books

THE JOLLY JINGLE PICTURE BOOK, Rand, McNally and Co., Chicago. Verses by Leroy Jackson, Pictures by Ruth Eger.

This new edition of "Rimskittle's Book," [illegible] 1927

is colorfully illustrated and includes scores of rolicking rimes for children of the nursery age.

IN THE LAND OF RUBBER—By Melicent Humason Lee, Thomas Crowell Co., New York, 1939, U.S.$1.75.

An easy way to acquaint your child with Malaya. Mrs. Lee continues her series of informative and interesting child adventure stories in far off places. The story is of a boy and girl of Malaya who run into many exciting adventures and finally save their rubber plantation from ruin. The finest sort of reading for the 7 to 9 year-olds. Well illustrated.

THE FIVE CHINESE BROTHERS —By Claire Huchet Bishop and Kurt Wiese, Coward, McCann, Inc., 50 pp., U.S.$1.50.

The old story of the five Chinese brothers who could not be killed; but dressed up in new verse and very cleverly illustrated. Adults will find this book as amusing as will children. A four star book.

ANIM RUNS AWAY—By Adele and Cateau De Leeuw, The MacMillian Co., 30 pp., U.S.$1.50.

This is the old story of the boy who ran away from home in the hope of a more pleasant life, but eventually discovered that "there is no place else like home." While the idea is as old as children's stories, the setting is new, this time in Java. Well written and lavishly illustrated.

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May, 1940 Vol. X. No. 5

EDITORIAL COMMENTARY

ARTICLES

Notes on The Final Draft Constitution *By John C. H. Wu* (吳經熊)
Ta Kuan T'ieh (大觀帖): or
T'ai Ch'ing Lou T'ieh (太清樓帖) *By John C. Ferguson* (福開森)
Ma Hsiang Po *By Liu Hoh Hsüan* (劉鶴軒)
Mencius and Plato's Doctrine of Ideas *By Rufus Suter*

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Education Chronicle *By Chao Hua* (趙華)

TRANSLATION

A Hermit at Large. A Story By Lu Hsün (魯迅)
Translated by Chi-Chen Wang (王際眞)

BOOK REVIEWS

Note: As an Appendix to this number of T'ien Hsia Monthly, an English translation of the Draft of the Constitution of the Republic of China is printed in full.

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Fascists vs Communists

BARBARIANS AT THE GATE—By Leonard Woolf. London, Victor Gollancz, Ltd., 1939. 221 pages, cloth.

Everyone interested in the present European and world situation must ask himself if there is any essential difference between fascism and communism and between the fascist and the democratic state. At one time the difference between communism and fascism seemed to be recognized by the Soviet State. After the seizure of power by Hitler the Soviet Government which had previously denounced the League of Nations as a mere instrument of capitalist imperialism, joined the League as a bulwark to defend civilization. It entered into a series of treaties with capitalist countries for the defense of democracy. There was a movement for communist parties to join a Popular Front to defend free speech, democracy, tolerance and humanity against the menace of fascism. Soviet Russia prepared a Bill of Rights and a democratic constitution. The recent reversal of Russian policy makes one ask if Communist Russia is interested in defending democracy or any other philosophy other than self-interest at home and abroad.

The Russian position is not cleared by this book. Russia is presented as a country on the side of civilization. Mr. Woolf judges a civilized country as one with the standards of reason, tolerance, humanity, justice, legality between the citizens of the community. After admitting Russia to the civilized group, Mr. Woolf writes: "The Soviet government has pursued its policy, so far as any human opponents or human obstacles were concerned, with considerable intolerance and inhumanity." He writes of the "local and unessential aspects of the Russian Revolution" and of the Soviet system, "the fortuitous adoption of the creed and practice of authoritarianism, intolerance and inhumanity within the Soviet state." How Soviet Russia can be at the same time a bulwark against the barbarians and the very barbarians themselves, is not satisfactorily explained by Mr. Woolf.

Fortunately the analysis of fascism and its danger to western civilization is not dependent upon this unsolved Russian mystery. Mr. Woolf shows how the problems of civilization are "eternally the same, concerned with the relations between the individual and the community and the standards which civilized men should observe in social organization in regard to liberty, equality, justice, property, tolerance, humanity and cruelty, truth and culture." Judged by these standards the position of fascism is definitely on the side of barbarism, says the author.

So far, then, as the fascist position is concerned, one can understand Mr. Woolf, but the Russian explanation leaves the reader confused and uncertain. Nevertheless the book does carry the conviction that western civilization has valuable achievements which must be saved, and that the democracies, imperfect though they be, must be the saviours.

F. M. R.

Study of Marine Life

BETWEEN PACIFIC TIDES.—By Edward F. Ricketts and Jack Calvin. Stanford University Press, Stanford University, California, 1939, pp. xxii + 320, illustrated. Price: U.S. $6.00.

That this book will be welcomed by a great variety of readers goes without saying. Vacationists and visitors to the seashore will undoubtedly find this volume a most useful guide. To students and teachers of zoology it will be equally useful. Naturalists and biologists will peruse its pages with approval and enthusiasm. Generally speaking, the book may be read as a story book, a Nature story book, in which the stories told are so novel and interesting that they cannot fail to impress the reader with the richness and wonder of life in the sea.

The main text of the book is divided into 338 sections, each consisting of from one to several paragraphs. Some five hundred of the common and obvious marine invertebrates of the Pacific coasts between Alaska and northern Mexico have received treatment. The species are presented according to their habitats and in the order of their commonness, conspicuousness and interest.

The authors maintain that there are three co-ordinate factors that determine the distribution of shore invertebrates: (a) the degree of wave shock, (b) the type of bottom, and (c) the tidal exposure. They recognize four principal habitats, viz., protected outer coast, open coast, bay and estuary, and wharf piling.

While the fauna of the various habitats are marked and distinct in the main, the writers are not unconscious of the arbitrariness of the divisions, the difficulty of drawing sharp dividing lines, and frequently the overlapping of the forms. Despite its usefulness ecological classification has an obvious drawback, i.e., it scatters the related species and genera to widely separated sections under different habitats.

A very remarkable feature of the book is the abundance of illustrations, arranged in groups following the descriptive parts of the chief habitats. There are 114 figures, some being line drawings and the majority photographs. The 45 plates comprising over 100 extra photographs are unusually excellent. All the illustrations are of utmost value for identifying the common marine invertebrates. The cross reference of the illustrations to the sections in the text is very helpful.

Y. T. C.

S.M.C. Endorses Daylight Saving as From June 1

A proposal to effect daylight saving in Shanghai by advancing clocks one hour as from June 1 was approved in principle at a meeting of the Shanghai Muncipal Council last week. The new time would remain in effect until Oct. 1. Final adoption of the proposal is understood to be dependent upon corresponding action by the French Concession and the authorities of adjacent Chinese territory.

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In the United States Court for China

JULIA MORRIS, born DEITCH *Plaintiff,* vs. GLENN LEROY MORRIS *Defendant.*	Cause No. 4486 Civil No. 2365 ORDER of Publication Filed at Shanghai, China, May 17th, 1940 WILLIAM T. COLLINS Clerk.

The object of this suit is an action for divorce and custody of the child.

WHEREAS, plaintiff herein, by her attorneys, has this sixteenth day of May, 1940, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the sixteenth day of May, 1940, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case on the sixteenth day of May, 1940, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China, nor has he resided therein since the last four years, and that defendant's last known address was La Habra, California, Post Office Box No. 124.

NOW, THEREFORE, it is this 17th day of May, 1940, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the seventh day of June, 1940, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:
Dated at Shanghai, China,
the 17th day of May, 1940.

MILTON J. HELMICK,
Judge.

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